

PHILLIPS, HAGER & NORTH FUNDS

2016 Interim Management Report of Fund Performance

MONEY MARKET FUNDS

Phillips, Hager & North Canadian Money Market Fund	2
Phillips, Hager & North \$U.S. Money Market Fund	9

FIXED-INCOME FUNDS

Phillips, Hager & North Short Term Bond & Mortgage Fund	16
Phillips, Hager & North Bond Fund	23
Phillips, Hager & North Community Values Bond Fund	30
Phillips, Hager & North Total Return Bond Fund	37
Phillips, Hager & North Inflation-Linked Bond Fund	44
Phillips, Hager & North High Yield Bond Fund	51
Phillips, Hager & North Long Inflation-linked Bond Fund	58

BALANCED FUNDS

Phillips, Hager & North Monthly Income Fund	62
Phillips, Hager & North Balanced Fund	70
Phillips, Hager & North Community Values Balanced Fund	77

CANADIAN EQUITY FUNDS

Phillips, Hager & North Dividend Income Fund	84
Phillips, Hager & North Canadian Equity Fund	91
Phillips, Hager & North Community Values Canadian Equity Fund	98
Phillips, Hager & North Canadian Equity Value Fund	105
Phillips, Hager & North Canadian Equity Underlying Fund	112
Phillips, Hager & North Canadian Equity Underlying Fund II	117
Phillips, Hager & North Canadian Growth Fund	122
Phillips, Hager & North Canadian Income Fund	129
Phillips, Hager & North Vintage Fund	136

U.S. EQUITY FUNDS

Phillips, Hager & North U.S. Dividend Income Fund	143
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	150
Phillips, Hager & North U.S. Equity Fund	157
Phillips, Hager & North Currency-Hedged U.S. Equity Fund	164
Phillips, Hager & North U.S. Growth Fund	171

INTERNATIONAL EQUITY FUNDS

Phillips, Hager & North Overseas Equity Fund	178
Phillips, Hager & North Currency-Hedged Overseas Equity Fund	185

GLOBAL EQUITY FUNDS

Phillips, Hager & North Global Equity Fund	192
Phillips, Hager & North Community Values Global Equity Fund	199

TARGET DATE FUNDS

Phillips, Hager & North LifeTime 2015 Fund	206
Phillips, Hager & North LifeTime 2020 Fund	212
Phillips, Hager & North LifeTime 2025 Fund	218
Phillips, Hager & North LifeTime 2030 Fund	224
Phillips, Hager & North LifeTime 2035 Fund	230
Phillips, Hager & North LifeTime 2040 Fund	236
Phillips, Hager & North LifeTime 2045 Fund	242
Phillips, Hager & North LifeTime 2050 Fund	248

BONAVISTA INVESTMENT FUNDS

BonaVista Global Balanced Fund	254
BonaVista Canadian Equity Value Fund	261

PLEASE CALL US

268

MONEY MARKET FUND

**PHILLIPS, HAGER & NORTH
CANADIAN MONEY MARKET FUND**

*June 30, 2016***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with a steady level of current income, capital preservation and liquidity by investing in a well-diversified portfolio of short-term Canadian money market securities with strong credit ratings. To achieve the Fund's investment objective, the portfolio manager invests in government or government guaranteed treasury bills, high-grade corporate notes, and asset-backed commercial paper. At the time of purchase, securities will generally have a term to maturity of less than 183 days and the portfolio's term to maturity will typically average 30 days. The Fund is conservatively managed and does not invest in foreign securities.

Results of Operations

The Fund's net asset value was \$1.3 billion as of June 30, 2016.

As of June 30, 2016, the current yields were 0.4% for Series A units, 0.4% for Advisor Series units, 0.4% for Series D units, 0.5% for Series F units and 0.9% for Series O units.

Over the past six months, the Fund's Series O units returned 0.45%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

During the period, the portfolio manager allocated all of the Fund's assets to money-market instruments paying higher yields than Government of Canada treasury bills. Such instruments included corporate notes, bank-sponsored asset-backed commercial paper, and bankers' acceptances. The portfolio also had a small allocation to short-term floating-rate notes, whose payments change with interest rates.

The Bank of Canada (the "BOC") held its overnight target rate steady at 0.50% over the period after lowering it to this level in 2015. There are no further BOC rate changes expected in 2016. The yield curve is very flat at the short end, with 1-month and 3-month T-bills yielding the same. However, the extra yield available on longer-maturing corporate notes is compelling, so the portfolio manager kept the Fund's average maturity close to its 60-day maximum. This strategy was helpful to relative performance in the period.

Recent Developments

Concern over slowing economic growth, accompanied by stimulative monetary policies by central banks around the world to counter this trend, have led to historically low global interest rates, including negative interest rates in Japan and Europe. In North America, the U.S. Federal Reserve held off on implementing follow-up rate increases in the first half of 2016 in light of mixed economic data and uncertainty surrounding the aftermath of the U.K. referendum regarding its membership in the EU. The BOC also appears to be

on hold for the remainder of the year. While interest rates may have overreacted to the low side in response to current events, the portfolio manager believes that some degree of a "low for long" interest-rate environment will persist for the foreseeable future.

Effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series A												
June 30, 2016	10.00	0.05	(0.03)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2015	10.00	0.10	(0.05)	—	—	0.05	(0.05)	—	—	—	(0.05)	10.00
Dec. 31, 2014	10.00	0.12	(0.05)	—	—	0.07	(0.07)	—	—	—	(0.07)	10.00
Dec. 31, 2013	10.00	0.12	(0.04)	—	—	0.08	(0.08)	—	—	—	(0.08)	10.00
Dec. 31, 2012	10.00	0.12	(0.05)	—	—	0.07	(0.07)	—	—	—	(0.07)	10.00
Dec. 31, 2011	10.00	0.11	(0.05)	—	—	0.06	(0.06)	—	—	—	(0.06)	10.00
Advisor Series												
June 30, 2016	10.00	0.05	(0.03)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2015	10.00	0.10	(0.05)	—	—	0.05	(0.05)	—	—	—	(0.05)	10.00
Dec. 31, 2014	10.00	0.12	(0.05)	—	—	0.07	(0.07)	—	—	—	(0.07)	10.00
Dec. 31, 2013	10.00	0.12	(0.04)	—	—	0.08	(0.08)	—	—	—	(0.08)	10.00
Dec. 31, 2012	10.00	0.12	(0.05)	—	—	0.07	(0.07)	—	—	—	(0.07)	10.00
Dec. 31, 2011	10.00	0.11	(0.05)	—	—	0.06	(0.06)	—	—	—	(0.06)	10.00
Series D												
June 30, 2016	10.00	0.05	(0.03)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2015	10.00	0.09	(0.05)	—	—	0.04	(0.04)	—	—	—	(0.04)	10.00
Dec. 31, 2014	10.00	0.12	(0.06)	—	—	0.06	(0.07)	—	—	—	(0.07)	10.00
Dec. 31, 2013	10.00	0.12	(0.05)	—	—	0.07	(0.07)	—	—	—	(0.07)	10.00
Dec. 31, 2012	10.00	0.12	(0.05)	—	—	0.07	(0.07)	—	—	—	(0.07)	10.00
Dec. 31, 2011	10.00	0.11	(0.05)	—	—	0.06	(0.06)	—	—	—	(0.06)	10.00
Series F												
June 30, 2016	10.00	0.04	(0.02)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2015	10.00	0.10	(0.05)	—	—	0.05	(0.05)	—	—	—	(0.05)	10.00
Dec. 31, 2014	10.00	0.12	(0.05)	—	—	0.07	(0.08)	—	—	—	(0.08)	10.00
Dec. 31, 2013	10.00	0.12	(0.04)	—	—	0.08	(0.08)	—	—	—	(0.08)	10.00
Dec. 31, 2012	10.00	0.12	(0.05)	—	—	0.07	(0.07)	—	—	—	(0.07)	10.00
Dec. 31, 2011	10.00	0.12	(0.05)	—	—	0.07	(0.07)	—	—	—	(0.07)	10.00
Series O												
June 30, 2016	10.00	0.04	—	—	—	0.04	(0.04)	—	—	—	(0.04)	10.00
Dec. 31, 2015	10.00	0.10	—	—	—	0.10	(0.10)	—	—	—	(0.10)	10.00
Dec. 31, 2014	10.00	0.12	—	—	—	0.12	(0.12)	—	—	—	(0.12)	10.00
Dec. 31, 2013	10.00	0.13	—	—	—	0.13	(0.13)	—	—	—	(0.13)	10.00
Dec. 31, 2012	10.00	0.12	—	—	—	0.12	(0.12)	—	—	—	(0.12)	10.00
Dec. 31, 2011	10.00	0.11	—	—	—	0.11	(0.11)	—	—	—	(0.11)	10.00

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	10.00	5 599	560	0.53	0.53	n/a	—
Dec. 31, 2015	10.00	6 575	658	0.54	0.54	n/a	—
Dec. 31, 2014	10.00	4 313	431	0.54	0.54	n/a	—
Dec. 31, 2013	10.00	3 606	361	0.54	0.54	n/a	—
Dec. 31, 2012	10.00	6 820	682	0.54	0.54	n/a	—
Dec. 31, 2011	10.00	11 674	1 167	0.55	0.55	n/a	—
Advisor Series							
June 30, 2016	10.00	2 707	271	0.53	0.53	n/a	—
Dec. 31, 2015	10.00	3 576	358	0.54	0.54	n/a	—
Dec. 31, 2014	10.00	3 327	333	0.54	0.54	n/a	—
Dec. 31, 2013	10.00	4 741	474	0.55	0.55	n/a	—
Dec. 31, 2012	10.00	1 412	141	0.54	0.54	n/a	—
Dec. 31, 2011	10.00	8 497	850	0.55	0.55	n/a	—
Series D							
June 30, 2016	10.00	290 873	29 087	0.54	0.54	n/a	—
Dec. 31, 2015	10.00	519 426	51 943	0.55	0.55	n/a	—
Dec. 31, 2014	10.00	271 683	27 168	0.57	0.57	n/a	—
Dec. 31, 2013	10.00	267 915	26 792	0.57	0.57	n/a	—
Dec. 31, 2012	10.00	293 820	29 382	0.56	0.56	n/a	—
Dec. 31, 2011	10.00	432 080	43 208	0.55	0.55	n/a	—
Series F							
June 30, 2016	10.00	3 497	350	0.48	0.48	n/a	—
Dec. 31, 2015	10.00	3 806	381	0.48	0.48	n/a	—
Dec. 31, 2014	10.00	5 237	524	0.48	0.48	n/a	—
Dec. 31, 2013	10.00	6 268	627	0.48	0.48	n/a	—
Dec. 31, 2012	10.00	7 204	720	0.50	0.50	n/a	—
Dec. 31, 2011	10.00	8 664	866	0.50	0.50	n/a	—
Series O							
June 30, 2016	10.00	974 035	97 404	0.02	0.02	n/a	—
Dec. 31, 2015	10.00	1 022 721	102 272	0.03	0.03	n/a	—
Dec. 31, 2014	10.00	980 168	98 017	0.03	0.03	n/a	—
Dec. 31, 2013	10.00	1 147 933	114 793	0.03	0.03	n/a	—
Dec. 31, 2012	10.00	948 553	94 855	0.03	0.03	n/a	—
Dec. 31, 2011	10.00	1 115 361	111 536	0.03	0.03	n/a	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

FINANCIAL HIGHLIGHTS (cont.)**Management Fees**

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	up to 0.65%	38%	62%
Advisor Series	up to 0.65%	38%	62%
Series D	Note 1	23%	77%
Series F	up to 0.40%	—	100%

Note 1 – up to 0.50% (decreasing to 0.40% on the net Series D asset value over \$200,000,000).

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

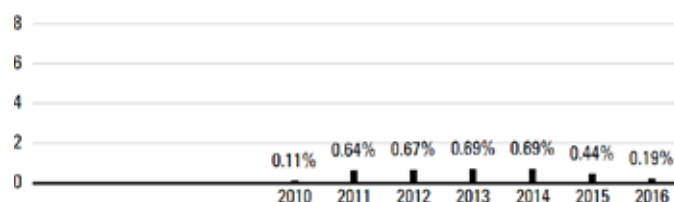
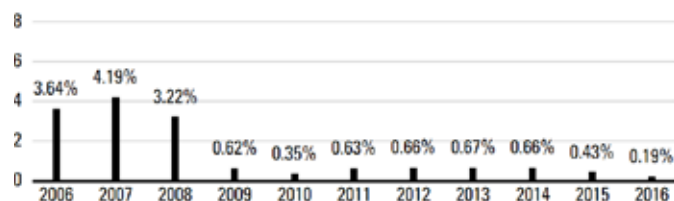
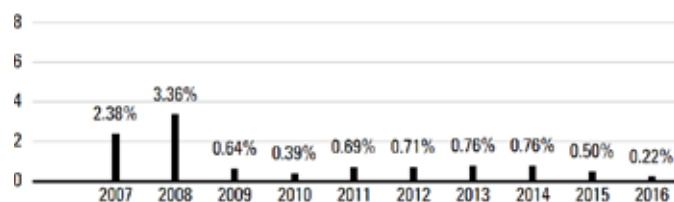
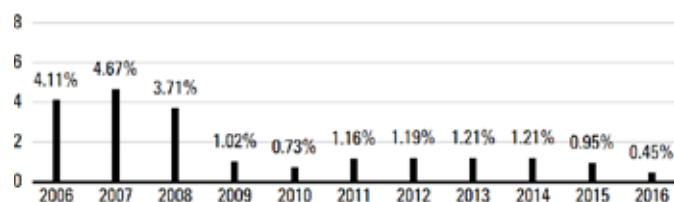
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.

Series A (%)**Advisor Series (%)****Series D (%)****Series F (%)****Series O (%)**

Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Corporate Notes	100.0

Top 25 Holdings

	% of Net Asset Value
Bank of Nova Scotia 0.924% Dec 2 2016	3.4
Central 1 Credit Union 0.835% Jul 19 2016	2.7
HSBC Bank Canada 0.908% Jul 5 2016	2.6
Husky Energy Inc. 0.982% Jul 28 2016	2.2
Canadian Utilities Ltd. 0.852% Jul 15 2016	2.2
AltaLink LP 0.900% Jul 11 2016	2.2
SAFE Trust - Series 1996-1 0.911% Aug 23 2016	2.0
Bank of Montreal 1.034% Aug 2 2016	2.0
Bank of Montreal 0.970% Mar 6 2017	2.0
Bank of Nova Scotia 0.921% Nov 7 2016	2.0
Canadian Master Trust - Series A 1.051% Dec 21 2016	2.0
Bay Street Funding Trust - Class A 0.931% Sep 12 2016	1.9
Inter Pipeline Corridor Inc. 0.923% Jul 22 2016	1.8
Ridge Trust 1.051% Dec 14 2016	1.8
Imperial Oil Ltd. 0.796% Jul 26 2016	1.8
Toronto Hydro Corp. 0.803% Jul 4 2016	1.7
SAFE Trust - Series 1996-1 0.911% Aug 8 2016	1.6
Zeus Receivables Trust - Senior Notes 0.800% Jul 4 2016	1.6
Banner Trust 0.800% Jul 4 2016	1.6
King Street Funding Trust 0.950% Jul 14 2016	1.6
Prime Trust - Senior Notes 0.950% Jul 7 2016	1.6
Prime Trust - Senior Notes 1.020% Oct 21 2016	1.6
Merit Trust - Senior Notes 0.911% Aug 30 2016	1.5
Nova Scotia Power Inc. 0.924% Jul 13 2016	1.5
SURE Trust 1.000% Oct 18 2016	1.4
Top 25 Holdings	48.3

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

MONEY MARKET FUND

PHILLIPS, HAGER & NORTH
\$U.S. MONEY MARKET FUND
June 30, 2016
Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

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Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE (in USD)**Investment Objective and Strategies**

The Fund seeks to provide investors with a steady level of current income while preserving capital by investing primarily in Canadian short-term debt instruments denominated in U.S. dollars. To achieve the Fund's investment objective, the portfolio manager invests in government or government-guaranteed treasury bills, asset-backed commercial paper and high-grade corporate notes. At the time of purchase, the portfolio's term to maturity will typically average 30 days. The Fund is managed within a conservative framework.

Results of Operations

The Fund's net asset value was \$44 million as of June 30, 2016.

As of June 30, 2016, the current yields were 0.5% for Series A units, 0.5% for Advisor Series units, 0.5% for Series D units, 0.5% for Series F units and 0.7% for Series O units.

Over the past six months, the Fund's Series O units returned 0.30%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

During the period, the portfolio manager allocated all of the Fund's assets to money-market instruments paying higher yields than U.S. Treasury bills, including U.S.-dollar-denominated corporate notes, bank-sponsored asset-backed commercial paper and bankers' acceptances. The Fund also had a small allocation to corporate short-term floating-rate notes, whose payments change with interest rates, and U.S.-dollar-denominated fixed- and floating-rate notes issued by Canadian provinces.

The U.S. Federal Reserve (the "Fed") held the federal funds rate at 0.25% to 0.50% over the period, after having raising it to this level in December 2015. Early in 2016 there was speculation that the Fed would continue to raise rates this year, although they have not yet done so, and that speculation has since faded. With further rate increases less certain in the near term, the portfolio manager modestly lengthened the average maturity of the Fund to take advantage of the higher yields available on corporate notes. This strategy was helpful to relative performance in the period.

Recent Developments

Concern over slowing economic growth, accompanied by stimulative monetary policies by central banks around the world to counter this trend, have led to historically low global interest rates, including negative interest rates in Japan and Europe. In North America, the Fed held off on implementing follow-up rate increases in the first half of 2016 in light of mixed economic data and uncertainty surrounding the aftermath of the U.K. referendum regarding its membership in the EU. The Bank of Canada also appears to be on hold for the remainder

of the year. While interest rates may have overreacted to the low side in response to current events, the portfolio manager believes that some degree of a "low for long" interest rate environment will persist for the foreseeable future.

Effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions***Manager and Portfolio Manager***

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

PHILLIPS, HAGER & NORTH \$U.S. MONEY MARKET FUND

(IN U.S. DOLLARS)

FINANCIAL HIGHLIGHTS (in USD)

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series A												
June 30, 2016	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2015	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2014	10.00	0.02	(0.01)	—	—	0.01	(0.01)	—	—	—	(0.01)	10.00
Dec. 31, 2013	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2012	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2011	10.00	0.02	(0.01)	—	—	0.01	(0.01)	—	—	—	(0.01)	10.00
Advisor Series												
June 30, 2016	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2015	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2014	10.00	0.02	(0.01)	—	—	0.01	(0.01)	—	—	—	(0.01)	10.00
Dec. 31, 2013	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2012	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2011	10.00	0.02	(0.01)	—	—	0.01	(0.01)	—	—	—	(0.01)	10.00
Series D												
June 30, 2016	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2015	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2014	10.00	0.02	(0.01)	—	—	0.01	(0.01)	—	—	—	(0.01)	10.00
Dec. 31, 2013	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2012	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2011	10.00	0.02	(0.01)	—	—	0.01	(0.01)	—	—	—	(0.01)	10.00
Series F												
June 30, 2016	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2015	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2014	10.00	0.02	(0.01)	—	—	0.01	(0.01)	—	—	—	(0.01)	10.00
Dec. 31, 2013	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2012	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2011	10.00	0.02	(0.01)	—	—	0.01	(0.01)	—	—	—	(0.01)	10.00
Series O												
June 30, 2016	10.00	0.03	—	—	—	0.03	(0.03)	—	—	—	(0.03)	10.00
Dec. 31, 2015	10.00	0.04	(0.01)	—	—	0.03	(0.03)	—	—	—	(0.03)	10.00
Dec. 31, 2014	10.00	0.02	(0.01)	—	—	0.01	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2013	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2012	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00
Dec. 31, 2011	10.00	0.03	(0.01)	—	—	0.02	(0.02)	—	—	—	(0.02)	10.00

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (in USD) (cont.)**Ratios and Supplemental Data**

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	10.00	1 350	135	0.22	0.22	n/a	—
Dec. 31, 2015	10.00	1 469	147	0.12	0.12	n/a	—
Dec. 31, 2014	10.00	1 930	193	0.12	0.12	n/a	—
Dec. 31, 2013	10.00	2 368	237	0.12	0.12	n/a	—
Dec. 31, 2012	10.00	4 031	403	0.11	0.11	n/a	—
Dec. 31, 2011	10.00	3 389	339	0.14	0.14	n/a	—
Advisor Series							
June 30, 2016	10.00	57	6	0.21	0.22	n/a	—
Dec. 31, 2015	10.00	69	7	0.11	0.11	n/a	—
Dec. 31, 2014	10.00	93	9	0.12	0.12	n/a	—
Dec. 31, 2013	10.00	124	12	0.12	0.12	n/a	—
Dec. 31, 2012	10.00	236	24	0.11	0.11	n/a	—
Dec. 31, 2011	10.00	156	16	0.14	0.14	n/a	—
Series D							
June 30, 2016	10.00	13 996	1 400	0.21	0.22	n/a	—
Dec. 31, 2015	10.00	13 985	1 399	0.11	0.11	n/a	—
Dec. 31, 2014	10.00	16 354	1 635	0.11	0.11	n/a	—
Dec. 31, 2013	10.00	25 105	2 511	0.11	0.11	n/a	—
Dec. 31, 2012	10.00	28 875	2 887	0.12	0.12	n/a	—
Dec. 31, 2011	10.00	29 924	2 992	0.14	0.14	n/a	—
Series F							
June 30, 2016	10.00	1 249	125	0.17	0.17	n/a	—
Dec. 31, 2015	10.00	2 735	273	0.12	0.12	n/a	—
Dec. 31, 2014	10.00	3 035	303	0.12	0.12	n/a	—
Dec. 31, 2013	10.00	4 837	484	0.12	0.12	n/a	—
Dec. 31, 2012	10.00	4 214	421	0.12	0.12	n/a	—
Dec. 31, 2011	10.00	6 743	674	0.12	0.12	n/a	—
Series O							
June 30, 2016	10.00	27 508	2 751	0.05	0.06	n/a	—
Dec. 31, 2015	10.00	33 533	3 353	0.06	0.06	n/a	—
Dec. 31, 2014	10.00	34 032	3 403	0.06	0.06	n/a	—
Dec. 31, 2013	10.00	41 491	4 149	0.06	0.06	n/a	—
Dec. 31, 2012	10.00	30 682	3 068	0.06	0.06	n/a	—
Dec. 31, 2011	10.00	25 294	2 529	0.06	0.06	n/a	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

FINANCIAL HIGHLIGHTS (in USD) (cont.)**Management Fees**

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	up to 0.75%	33%	67%
Advisor Series	up to 0.75%	33%	67%
Series D	up to 0.50%	20%	80%
Series F	up to 0.50%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

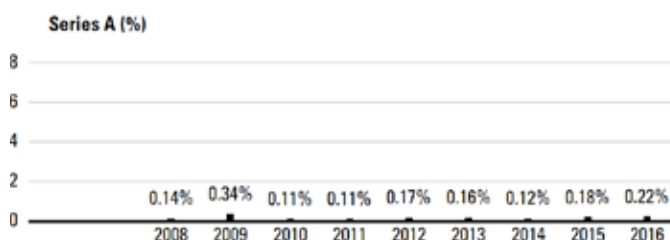
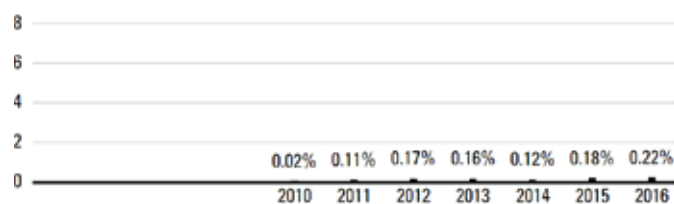
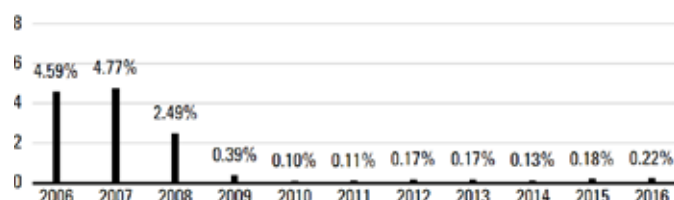
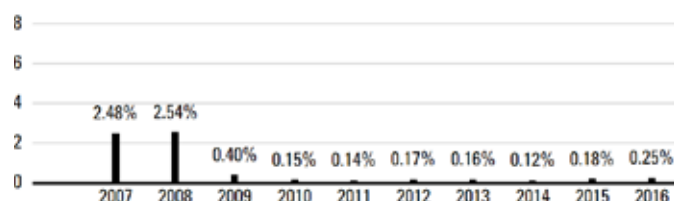
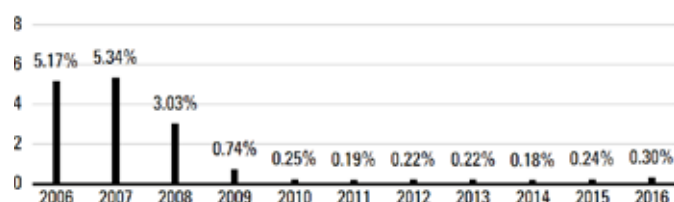
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE (in USD)

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.

**Advisor Series (%)****Series D (%)****Series F (%)****Series O (%)**

Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO (in USD)*(after consideration of derivative products, if any)**As at June 30, 2016***Investment Mix**

	% of Net Asset Value
Corporate Notes	77.4
Government Notes	22.6

Top 25 Holdings

	% of Net Asset Value
Province of Alberta 0.440% Jul 27 2016	8.7
Toronto-Dominion Bank 0.497% Aug 4 2016	6.2
Bank of Nova Scotia 0.497% Aug 4 2016	5.2
Banner Trust 0.921% Sep 2 2016	4.5
SAFE Trust - Series 1996-1 0.951% Sep 7 2016	4.5
Fusion Trust 0.999% Nov 1 2016	4.5
Clarity Trust 0.951% Aug 17 2016	4.5
Caisse Centrale Desjardins 0.600% Aug 16 2016	4.4
Ridge Trust 0.900% Jul 20 2016	4.4
OMERS Realty Corp. 0.612% Jul 5 2016	4.3
Canadian Master Trust - Series A 0.939% Jul 27 2016	4.3
Province of Quebec 0.461% Jul 6 2016	4.1
Merit Trust - Senior Notes 0.909% Aug 24 2016	3.8
SURE Trust 0.899% Aug 23 2016	3.6
Province of Alberta 0.541% Aug 3 2016	3.5
SOUND Trust 0.970% Sep 1 2016	3.4
Province of Alberta 0.538% Aug 4 2016	3.3
Toronto-Dominion Bank 0.480% Aug 11 2016	3.2
Prime Trust - Senior Notes 0.910% Aug 24 2016	2.8
Zeus Receivables Trust - Senior Notes 0.861% Aug 15 2016	2.7
Enbridge Pipelines Inc. 0.927% Aug 2 2016	2.5
Bank of Nova Scotia 0.497% Jul 28 2016	2.4
Farm Credit Canada 0.385% Jul 29 2016	1.6
Prime Trust - Senior Notes 0.912% Sep 22 2016	1.6
Zeus Receivables Trust - Senior Notes 0.910% Aug 24 2016	1.6
Top 25 Holdings	95.6

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

FIXED-INCOME FUND

**PHILLIPS, HAGER & NORTH
SHORT TERM BOND & MORTGAGE FUND**

*June 30, 2016***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks to provide investors with relatively high yields and stability of capital by investing primarily in Canadian government and corporate bonds and multi-residential mortgages on property located in Canada. Investments are made in accordance with National Policy Statement No. 29, a set of regulatory guidelines covering mortgage purchases by mutual funds. To achieve the Fund's investment objective, the portfolio manager invests in high-quality Canadian corporate bonds, government bonds, and up to 40% of the Fund's net assets in conventional first mortgages and mortgages guaranteed under the National Housing Act (Canada). The portfolio manager may also invest in asset-backed commercial paper. Securities purchased will generally not have a term to maturity exceeding seven years and three months, and the average term to maturity of the portfolio will generally be three years.

Results of Operations

The Fund's net asset value was \$5.6 billion as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 1.6%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Bond markets remained volatile in the first half of 2016, as interest rates rose and fell in line with oil prices in the first quarter, and in the second quarter were subject to uncertainty surrounding the U.K. vote on EU membership ("Brexit"). In addition, the global economy continued to slow even with the considerable stimulative efforts of the world's central banks. The portfolio manager kept the Fund's term to maturity slightly short in the first half, and this positioning aided performance.

A more meaningful contribution to relative performance came from strategies involving corporate and quasi-government bonds. The Fund increased its exposure to corporate bonds in the spring as their yields became more attractive amid global uncertainty. Returns then benefited when these positions were sold at a profit as the portfolio manager reduced the positions in the run-up to the Brexit vote. Also helpful was security selection in corporate bonds, as well as the Fund's mortgage allocation due to the stability of mortgages in the first half and their meaningful yields.

Portfolio turnover is normally high for the Fund, as the portfolio manager attempts to generate better returns through active security selection and optimal term exposure.

Recent Developments

Concern over slowing economic growth, accompanied by stimulative monetary policies by central banks around the world to counter this trend, have led to historically low global interest rates, including negative interest rates in Japan and Europe. In North America, the U.S. Federal Reserve held off on implementing follow-up rate increases in the first half of 2016 in light of mixed economic data and uncertainty surrounding the Brexit aftermath. The Bank of Canada also appears to be on hold for the remainder of the year. While interest rates may have overreacted to the low side in response to current events, the portfolio manager believes that some degree of a "low for long" interest rate environment will persist for the foreseeable future.

Effective July 4, 2016, units of the Fund will no longer be available for purchase by new investors. Investors who hold units of the Fund on July 4, 2016 can continue to make additional investments into the Fund. In addition, RBC GAM may also maintain capacity for certain investors, including investment funds managed by RBC GAM or its affiliates, that may invest in the Fund.

Effective June 30, 2016, management fees were reduced as follows: from 1.00% to 0.90% for Series C and Advisor Series units; and from 0.50% to 0.40% for Series F units. Also effective June 30, 2016, Series H units were re-designated to Series C units, followed by all Series C units being renamed Series A units, and Series I units were re-designated to Series F units.

Related-Party Transactions***Manager and Portfolio Manager***

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND***Trustee and Custodian***

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND**FINANCIAL HIGHLIGHTS**

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series A												
June 30, 2016	10.49	0.14	(0.06)	0.01	0.02	0.11	(0.08)	—	—	—	(0.08)	10.51
Dec. 31, 2015	10.50	0.29	(0.12)	0.02	(0.02)	0.17	(0.16)	—	(0.02)	—	(0.18)	10.49
Dec. 31, 2014	10.42	0.30	(0.12)	0.02	0.06	0.26	(0.17)	—	—	—	(0.17)	10.50
Dec. 31, 2013	10.50	0.32	(0.12)	(0.04)	(0.06)	0.10	(0.20)	—	—	—	(0.20)	10.41
Dec. 31, 2012	10.53	0.32	(0.12)	(0.02)	(0.02)	0.16	(0.19)	—	—	—	(0.19)	10.50
Dec. 31, 2011	10.45	0.36	(0.12)	0.03	0.04	0.31	(0.23)	—	(0.01)	—	(0.24)	10.53
Advisor Series												
June 30, 2016	10.49	0.14	(0.06)	0.01	0.02	0.11	(0.08)	—	—	—	(0.08)	10.52
Dec. 31, 2015	10.50	0.29	(0.12)	0.02	(0.02)	0.17	(0.17)	—	(0.01)	—	(0.18)	10.49
Dec. 31, 2014	10.42	0.30	(0.12)	0.02	0.06	0.26	(0.18)	—	—	—	(0.18)	10.50
Dec. 31, 2013	10.50	0.30	(0.12)	(0.03)	(0.06)	0.09	(0.20)	—	—	—	(0.20)	10.41
Dec. 31, 2012	10.53	0.32	(0.12)	(0.02)	(0.02)	0.16	(0.19)	—	—	—	(0.19)	10.50
Dec. 31, 2011	10.45	0.36	(0.12)	0.03	0.04	0.31	(0.23)	—	(0.01)	—	(0.24)	10.53
Series D												
June 30, 2016	10.45	0.14	(0.03)	0.01	0.02	0.14	(0.11)	—	—	—	(0.11)	10.48
Dec. 31, 2015	10.45	0.29	(0.06)	0.02	(0.02)	0.23	(0.23)	—	(0.01)	—	(0.24)	10.45
Dec. 31, 2014	10.38	0.30	(0.06)	0.02	0.06	0.32	(0.24)	—	—	—	(0.24)	10.45
Dec. 31, 2013	10.47	0.31	(0.06)	(0.04)	(0.06)	0.15	(0.25)	—	—	—	(0.25)	10.37
Dec. 31, 2012	10.49	0.32	(0.06)	(0.02)	(0.02)	0.22	(0.25)	—	—	—	(0.25)	10.47
Dec. 31, 2011	10.42	0.36	(0.06)	0.03	0.04	0.37	(0.29)	—	(0.01)	—	(0.30)	10.49
Series F												
June 30, 2016	10.43	0.14	(0.03)	0.01	0.02	0.14	(0.11)	—	—	—	(0.11)	10.46
Dec. 31, 2015	10.43	0.28	(0.06)	0.02	(0.02)	0.22	(0.22)	—	(0.01)	—	(0.23)	10.43
Dec. 31, 2014	10.36	0.30	(0.06)	0.02	0.06	0.32	(0.24)	—	—	—	(0.24)	10.43
Dec. 31, 2013	10.45	0.31	(0.06)	(0.04)	(0.06)	0.15	(0.25)	—	—	—	(0.25)	10.35
Dec. 31, 2012	10.48	0.32	(0.06)	(0.02)	(0.02)	0.22	(0.25)	—	—	—	(0.25)	10.45
Dec. 31, 2011	10.40	0.36	(0.06)	0.03	0.04	0.37	(0.29)	—	(0.01)	—	(0.30)	10.48
Series O												
June 30, 2016	10.16	0.13	—	0.01	0.02	0.16	(0.14)	—	—	—	(0.14)	10.19
Dec. 31, 2015	10.17	0.28	(0.01)	0.02	(0.02)	0.27	(0.27)	—	(0.02)	—	(0.29)	10.16
Dec. 31, 2014	10.08	0.29	(0.01)	0.02	0.05	0.35	(0.28)	—	—	—	(0.28)	10.17
Dec. 31, 2013	10.17	0.31	(0.01)	(0.04)	(0.06)	0.20	(0.30)	—	—	—	(0.30)	10.08
Dec. 31, 2012	10.19	0.31	(0.01)	(0.02)	(0.02)	0.26	(0.30)	—	—	—	(0.30)	10.17
Dec. 31, 2011	10.11	0.35	(0.01)	0.03	0.04	0.41	(0.33)	—	(0.01)	—	(0.34)	10.19

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND**FINANCIAL HIGHLIGHTS (cont.)****Ratios and Supplemental Data**

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	10.51	198 204	18 850	1.16⁴	1.16	149.96	—
Dec. 31, 2015	10.49	144 831	13 808	1.16	1.16	200.13	—
Dec. 31, 2014	10.50	172 126	16 394	1.16	1.16	213.40	—
Dec. 31, 2013	10.42	228 351	21 918	1.15	1.15	291.57	—
Dec. 31, 2012	10.51	298 468	30 262	1.15	1.15	236.97	—
Dec. 31, 2011	10.54	334 540	31 740	1.15	1.15	316.04	—
Advisor Series							
June 30, 2016	10.52	26 371	2 507	1.16⁴	1.16	149.96	—
Dec. 31, 2015	10.49	27 136	2 586	1.16	1.16	200.13	—
Dec. 31, 2014	10.50	26 702	2 544	1.16	1.16	213.40	—
Dec. 31, 2013	10.42	29 762	2 857	1.15	1.15	291.57	—
Dec. 31, 2012	10.51	56 322	3 489	1.15	1.15	236.97	—
Dec. 31, 2011	10.54	27 700	2 628	1.15	1.15	316.04	—
Series D							
June 30, 2016	10.48	224 810	21 458	0.60	0.60	149.96	—
Dec. 31, 2015	10.45	220 901	21 137	0.60	0.60	200.13	—
Dec. 31, 2014	10.45	227 660	21 775	0.60	0.60	213.40	—
Dec. 31, 2013	10.38	223 561	21 543	0.60	0.60	291.57	—
Dec. 31, 2012	10.47	270 195	25 799	0.61	0.61	236.97	—
Dec. 31, 2011	10.50	290 682	27 674	0.61	0.61	316.04	—
Series F							
June 30, 2016	10.46	161 856	15 481	0.60⁴	0.60	149.96	—
Dec. 31, 2015	10.43	101 384	9 720	0.61	0.61	200.13	—
Dec. 31, 2014	10.43	115 516	11 071	0.61	0.61	213.40	—
Dec. 31, 2013	10.36	111 207	10 736	0.61	0.61	291.57	—
Dec. 31, 2012	10.46	115 079	11 007	0.61	0.61	236.97	—
Dec. 31, 2011	10.49	121 186	11 557	0.61	0.61	316.04	—
Series O							
June 30, 2016	10.19	4 973 227	488 285	0.06	0.06	149.96	—
Dec. 31, 2015	10.16	4 507 824	443 659	0.06	0.06	200.13	—
Dec. 31, 2014	10.17	4 033 918	396 757	0.06	0.06	213.40	—
Dec. 31, 2013	10.08	3 012 624	298 732	0.06	0.06	291.57	—
Dec. 31, 2012	10.17	2 693 820	264 796	0.06	0.06	236.97	—
Dec. 31, 2011	10.20	2 006 961	196 807	0.06	0.06	316.04	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.05%, Advisor Series – 1.05% and Series F – 0.49%.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	0.90%	50%	50%
Advisor Series	0.90%	50%	50%
Series D	0.50%	30%	70%
Series F	0.40%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

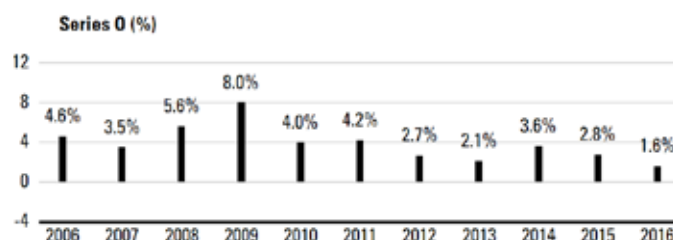
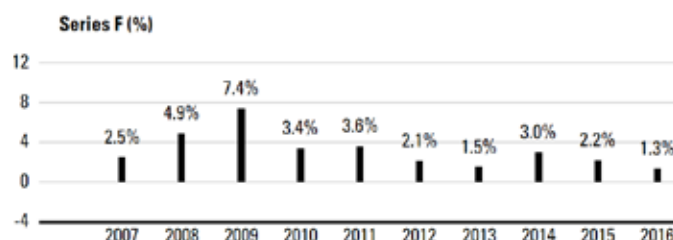
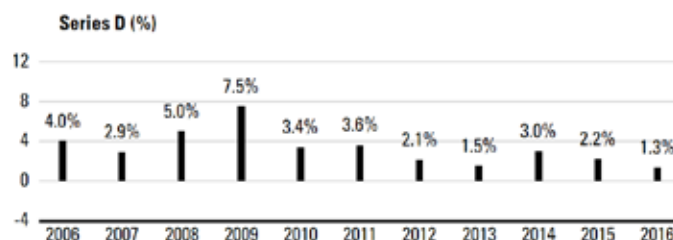
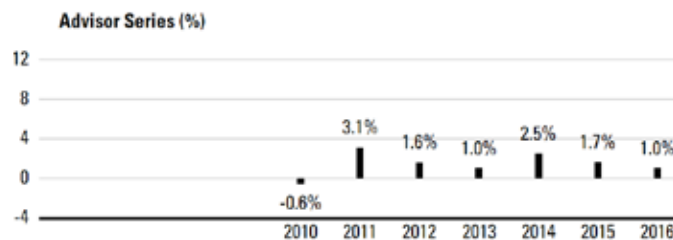
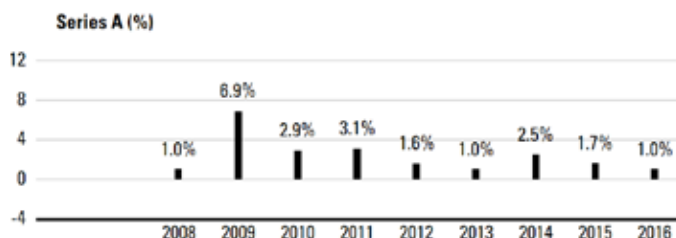
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H units were re-designated as Series C units and then immediately renamed Series A units effective June 30, 2016. All outstanding Series I units were re-designated as Series F units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND**SUMMARY OF INVESTMENT PORTFOLIO***(after consideration of derivative products, if any)**As at June 30, 2016***Investment Mix**

	% of Net Asset Value
Corporate Bonds	43.9
Federal Bonds	22.2
Provincial Bonds	16.4
Mortgages	11.1
Mortgage-Backed Bonds	4.1
Cash/Other	2.3

Top 25 Holdings

	% of Net Asset Value
Province of Ontario 2.100% Sep 8 2018	7.6
Government of Canada 0.750% Mar 1 2021	3.3
Canada Housing Trust No. 1 1.700% Dec 15 2017	3.1
Canada Housing Trust No. 1 1.200% Jun 15 2020	3.0
Province of Ontario 4.400% Jun 2 2019	2.9
Canada Housing Trust No. 1 1.250% Jun 15 2021	2.6
Cash & Cash Equivalents	1.9
Genesis Trust II 2.295% Feb 15 2017	1.7
Bank of Montreal 2.960% Aug 2 2016	1.6
Government of Canada 1.250% Feb 1 2018	1.6
Government of Canada 0.750% Sep 1 2020	1.4
Royal Bank of Canada 1.400% Apr 26 2019	1.3
Province of Ontario 1.900% Sep 8 2017	1.3
Canada Housing Trust No. 1 1.450% Jun 15 2020	1.3
Canada Housing Trust No. 1 2.000% Dec 15 2019	1.2
Bank of Nova Scotia 1.330% May 1 2018	1.2
Province of Alberta 1.250% Jun 1 2020	1.1
Canadian Imperial Bank of Commerce 1.700% Oct 9 2018	1.1
Canada Housing Trust No. 1 2.350% Dec 15 2018	1.0
Canadian Imperial Bank of Commerce 2.650% Nov 8 2016	1.0
Province of Newfoundland and Labrador 1.950% Jun 2 2022	1.0
Government of Canada 0.250% May 1 2018	0.9
Province of Ontario 4.000% Jun 2 2021	0.9
Royal Bank of Canada 3.310% Jan 20 2026	0.9
Enbridge Pipelines Inc. 6.620% Nov 19 2018	0.9
Top 25 Holdings	45.8

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

FIXED-INCOME FUND

PHILLIPS, HAGER & NORTH BOND FUND

*June 30, 2016***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with relatively high yields and stability of capital by investing in a well-diversified portfolio of fixed-income securities issued primarily by Canadian governments and corporations. Through a mix of interest income and capital appreciation, the Fund aims to provide a competitive rate of return while controlling the interest rate and credit risks to which it is exposed. To achieve the Fund's investment objective, the portfolio manager invests primarily in high-quality Canadian corporate and government bonds issued in either Canadian or U.S. dollars. The portfolio manager may also invest in asset-backed commercial paper. The average term to maturity of the portfolio is managed within strict guidelines, and typically falls between seven and 12 years.

Results of Operations

The Fund's net asset value was \$9.9 billion as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 4.5%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Bond markets remained volatile in the first half of 2016, as interest rates rose and fell in line with oil prices in the first quarter, and in the second quarter were subject to uncertainty surrounding the U.K. vote on EU membership ("Brexit"). In addition, the global economy continued to slow even with the considerable stimulative efforts of the world's central banks. The portfolio manager kept the Fund's term to maturity slightly short in the first half, and made adjustments that added to relative performance.

A more meaningful contribution to relative performance came from strategies involving corporate and quasi-government bonds. The Fund increased its exposure to corporate bonds in the spring as their yields became more attractive amid global uncertainty. Returns then benefited when these positions were sold at a profit as the portfolio manager reduced the positions in the run-up to the Brexit vote. Also helpful was security selection in corporate bonds and an overweight position in provincial bonds, the Fund's largest position. Performance was bolstered by timely trading between provincial bonds and government-agency bonds, as well as opportunistic purchases among the provinces.

Portfolio turnover is normally high for the Fund, as the portfolio manager attempts to generate better returns through active security selection and optimal term exposure.

Recent Developments

Concern over slowing economic growth, accompanied by stimulative monetary policies by central banks around the world to counter this trend, have led to historically low global interest rates, including negative interest rates in Japan and Europe. In North America, the U.S. Federal Reserve held off on implementing follow-up rate increases in the first half of 2016 in light of mixed economic data and uncertainty surrounding the Brexit aftermath. The Bank of Canada also appears to be on hold for the remainder of the year. While interest rates may have overreacted to the low side in response to current events, the portfolio manager believes that some degree of a "low for long" interest rate environment will persist for the foreseeable future.

Effective July 4, 2016, units of the Fund were no longer available for purchase by new investors. Investors who held units of the Fund on July 4, 2016, can continue to make additional investments into the Fund. In addition, RBC GAM may also maintain capacity for certain investors, including investment funds managed by RBC GAM or its affiliates, that may invest in the Fund.

Effective June 30, 2016, management fees were reduced as follows: from 1.00% to 0.90% for Series C and Advisor Series units; and from 0.50% to 0.40% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

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RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series A												
June 30, 2016	10.51	0.17	(0.06)	0.08	0.23	0.42	(0.12)	—	—	—	(0.12)	10.81
Dec. 31, 2015	10.74	0.37	(0.13)	0.23	(0.18)	0.29	(0.24)	—	(0.27)	—	(0.51)	10.51
Dec. 31, 2014	10.21	0.37	(0.12)	0.17	0.42	0.84	(0.24)	—	(0.04)	—	(0.28)	10.74
Dec. 31, 2013	10.65	0.38	(0.12)	(0.02)	(0.42)	(0.18)	(0.25)	—	(0.02)	—	(0.27)	10.19
Dec. 31, 2012	10.75	0.39	(0.13)	0.17	(0.13)	0.30	(0.26)	—	(0.15)	—	(0.41)	10.65
Dec. 31, 2011	10.31	0.42	(0.12)	0.16	0.36	0.82	(0.29)	—	(0.06)	—	(0.35)	10.75
Advisor Series												
June 30, 2016	10.52	0.17	(0.06)	0.08	0.23	0.42	(0.12)	—	—	—	(0.12)	10.81
Dec. 31, 2015	10.74	0.37	(0.13)	0.23	(0.18)	0.29	(0.24)	—	(0.27)	—	(0.51)	10.52
Dec. 31, 2014	10.21	0.38	(0.12)	0.17	0.42	0.85	(0.24)	—	(0.04)	—	(0.28)	10.74
Dec. 31, 2013	10.65	0.37	(0.12)	(0.02)	(0.41)	(0.18)	(0.24)	—	(0.02)	—	(0.26)	10.19
Dec. 31, 2012	10.75	0.39	(0.13)	0.17	(0.13)	0.30	(0.26)	—	(0.15)	—	(0.41)	10.65
Dec. 31, 2011	10.31	0.42	(0.12)	0.16	0.36	0.82	(0.29)	—	(0.06)	—	(0.35)	10.75
Series D												
June 30, 2016	10.43	0.17	(0.03)	0.08	0.23	0.45	(0.15)	—	—	—	(0.15)	10.72
Dec. 31, 2015	10.65	0.37	(0.07)	0.23	(0.18)	0.35	(0.31)	—	(0.26)	—	(0.57)	10.43
Dec. 31, 2014	10.12	0.37	(0.06)	0.17	0.41	0.89	(0.30)	—	(0.04)	—	(0.34)	10.65
Dec. 31, 2013	10.57	0.37	(0.06)	(0.02)	(0.42)	(0.13)	(0.30)	—	(0.02)	—	(0.32)	10.11
Dec. 31, 2012	10.67	0.39	(0.07)	0.17	(0.13)	0.36	(0.32)	—	(0.15)	—	(0.47)	10.57
Dec. 31, 2011	10.24	0.42	(0.06)	0.16	0.36	0.88	(0.35)	—	(0.06)	—	(0.41)	10.67
Series F												
June 30, 2016	10.48	0.17	(0.03)	0.08	0.23	0.45	(0.15)	—	—	—	(0.15)	10.77
Dec. 31, 2015	10.70	0.37	(0.07)	0.23	(0.18)	0.35	(0.30)	—	(0.27)	—	(0.57)	10.48
Dec. 31, 2014	10.17	0.38	(0.06)	0.17	0.42	0.91	(0.30)	—	(0.04)	—	(0.34)	10.70
Dec. 31, 2013	10.62	0.38	(0.06)	(0.02)	(0.42)	(0.12)	(0.30)	—	(0.02)	—	(0.32)	10.16
Dec. 31, 2012	10.72	0.39	(0.07)	0.17	(0.13)	0.36	(0.32)	—	(0.15)	—	(0.47)	10.62
Dec. 31, 2011	10.28	0.42	(0.06)	0.16	0.36	0.88	(0.35)	—	(0.06)	—	(0.41)	10.72
Series O												
June 30, 2016	10.44	0.17	—	0.08	0.23	0.48	(0.18)	—	—	—	(0.18)	10.73
Dec. 31, 2015	10.67	0.37	—	0.23	(0.18)	0.42	(0.36)	—	(0.27)	—	(0.63)	10.44
Dec. 31, 2014	10.15	0.37	—	0.17	0.41	0.95	(0.38)	—	(0.04)	—	(0.42)	10.67
Dec. 31, 2013	10.60	0.37	—	(0.02)	(0.42)	(0.07)	(0.37)	—	(0.02)	—	(0.39)	10.14
Dec. 31, 2012	10.70	0.39	—	0.17	(0.13)	0.43	(0.38)	—	(0.15)	—	(0.53)	10.60
Dec. 31, 2011	10.27	0.41	—	0.16	0.36	0.93	(0.41)	—	(0.06)	—	(0.47)	10.70

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	10.81	110 555	10 230	1.16⁴	1.16	198.41	—
Dec. 31, 2015	10.51	112 560	10 707	1.16	1.16	243.23	—
Dec. 31, 2014	10.74	117 482	10 944	1.16	1.16	232.92	—
Dec. 31, 2013	10.21	143 042	14 017	1.16	1.16	356.05	—
Dec. 31, 2012	10.66	229 300	21 507	1.16	1.16	244.30	—
Dec. 31, 2011	10.76	192 971	17 926	1.17	1.17	158.96	—
Advisor Series							
June 30, 2016	10.81	53 370	4 936	1.16⁴	1.16	198.41	—
Dec. 31, 2015	10.52	44 408	4 222	1.16	1.16	243.23	—
Dec. 31, 2014	10.74	35 732	3 328	1.16	1.16	232.92	—
Dec. 31, 2013	10.21	34 982	3 428	1.16	1.16	356.05	—
Dec. 31, 2012	10.66	43 243	4 056	1.16	1.16	244.30	—
Dec. 31, 2011	10.76	22 764	2 115	1.17	1.17	158.96	—
Series D							
June 30, 2016	10.72	643 830	60 074	0.60	0.60	198.41	—
Dec. 31, 2015	10.43	616 099	59 095	0.60	0.60	243.23	—
Dec. 31, 2014	10.65	622 449	58 463	0.60	0.60	232.92	—
Dec. 31, 2013	10.12	636 614	62 906	0.60	0.60	356.05	—
Dec. 31, 2012	10.58	832 584	78 724	0.61	0.61	244.30	—
Dec. 31, 2011	10.68	861 453	80 648	0.61	0.61	158.96	—
Series F							
June 30, 2016	10.77	113 392	10 529	0.60⁴	0.60	198.41	—
Dec. 31, 2015	10.48	94 082	8 981	0.60	0.60	243.23	—
Dec. 31, 2014	10.70	78 952	7 380	0.60	0.60	232.92	—
Dec. 31, 2013	10.17	76 377	7 511	0.61	0.61	356.05	—
Dec. 31, 2012	10.63	115 702	10 889	0.61	0.61	244.30	—
Dec. 31, 2011	10.73	97 683	9 104	0.61	0.61	158.96	—
Series O							
June 30, 2016	10.73	8 974 676	836 099	0.02	0.02	198.41	—
Dec. 31, 2015	10.44	8 009 643	767 022	0.02	0.02	243.23	—
Dec. 31, 2014	10.67	7 782 781	729 576	0.02	0.02	232.92	—
Dec. 31, 2013	10.15	8 931 735	879 564	0.02	0.02	356.05	—
Dec. 31, 2012	10.61	7 291 432	687 096	0.02	0.02	244.30	—
Dec. 31, 2011	10.71	6 080 197	567 456	0.02	0.02	158.96	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.05%, Advisor Series – 1.05% and Series F – 0.49%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	0.90%	50%	50%
Advisor Series	0.90%	50%	50%
Series D	0.50%	30%	70%
Series F	0.40%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

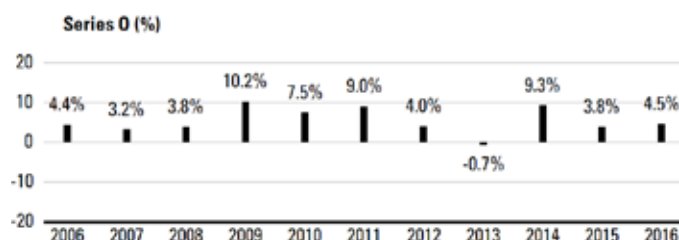
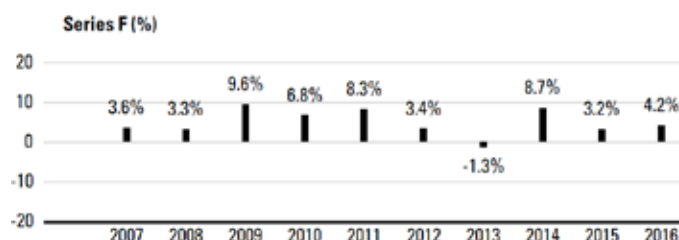
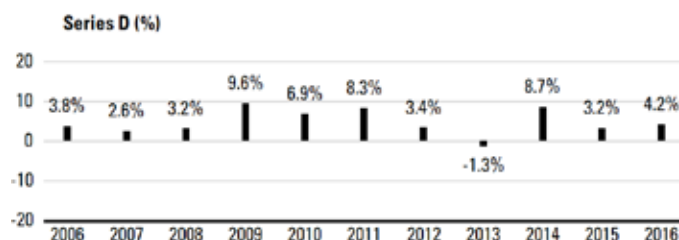
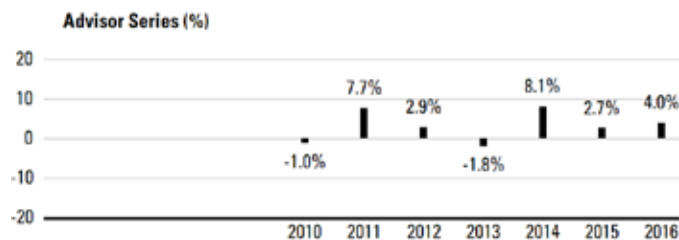
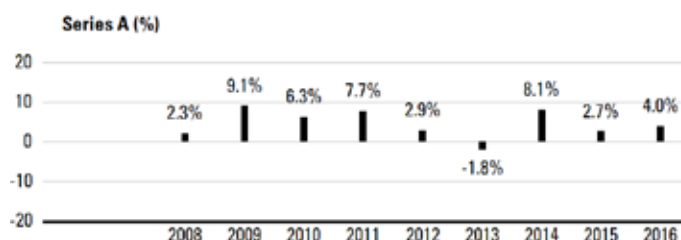
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO*(after consideration of derivative products, if any)**As at June 30, 2016***Investment Mix**

	% of Net Asset Value
Corporate Bonds	35.4
Provincial Bonds	35.1
Federal Bonds	22.1
Mortgages	0.6
Municipal Bonds	0.3
Mortgage-Backed Bonds	0.1
Cash/Other	6.4

Top 25 Holdings

	% of Net Asset Value
Government of Canada 0.750% Mar 1 2021	7.8
Province of Ontario 7.600% Jun 2 2027	5.9
Cash & Cash Equivalents	5.9
Province of Ontario 2.900% Dec 2 2046	4.0
Province of Ontario 3.500% Jun 2 2043	2.8
Canada Housing Trust No. 1 1.250% Jun 15 2021	2.4
Province of Ontario 6.200% Jun 2 2031	2.0
Province of Ontario 8.100% Sep 8 2023	1.9
Province of Quebec 8.500% Apr 1 2026	1.7
Canada Housing Trust No. 1 3.350% Dec 15 2020	1.6
Province of Ontario 8.500% Dec 2 2025	1.6
Canada Housing Trust No. 1 1.250% Dec 15 2020	1.2
Government of Canada 0.750% Sep 1 2020	1.2
Province of Alberta 2.350% Jun 1 2025	1.1
Province of Ontario 6.500% Mar 8 2029	1.1
Province of Ontario 2.400% Jun 2 2026	1.0
Canada Housing Trust No. 1 2.650% Mar 15 2022	1.0
Province of Ontario 5.600% Jun 2 2035	1.0
Province of Quebec 6.000% Oct 1 2029	1.0
Ontario Electricity Financial Corp. 8.250% Jun 22 2026	0.9
Royal Bank of Canada 1.400% Apr 26 2019	0.9
Government of Canada 1.500% Jun 1 2026	0.9
Province of Manitoba 2.850% Sep 5 2046	0.8
Canada Housing Trust No. 1 2.900% Jun 15 2024	0.8
Government of Canada 2.750% Jun 1 2022	0.8
Top 25 Holdings	51.3

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

FIXED-INCOME FUND

PHILLIPS, HAGER & NORTH
COMMUNITY VALUES BOND FUND

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks to provide investors with relatively high yields and stability of capital by investing primarily in a well-diversified portfolio of fixed-income securities issued by Canadian governments and corporations that conduct themselves in a socially responsible manner. To achieve the Fund's investment objective, the portfolio manager invests primarily in high-quality Canadian corporate and government bonds issued in Canadian or U.S. dollars. The portfolio manager may also invest in asset-backed commercial paper. The average term to maturity of the portfolio is managed within strict guidelines, typically between seven and 12 years.

Results of Operations

The Fund's net asset value was \$184 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 4.5%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Bond markets remained volatile in the first half of 2016, as interest rates rose and fell in line with oil prices in the first quarter, and in the second quarter were subject to uncertainty surrounding the U.K. vote on EU membership ("Brexit"). In addition, the global economy continued to slow even with considerable stimulative efforts by the world's central banks. The portfolio manager kept the Fund's term to maturity slightly short in the first half, and made adjustments that added to relative performance.

A more meaningful contribution to relative performance came from strategies involving corporate and quasi-government bonds. The Fund increased its exposure to corporate bonds in the spring as their yields became more attractive amid global uncertainty. Returns then benefited when these positions were sold at a profit as the portfolio manager reduced the positions in the run-up to the Brexit vote. Also helpful was security selection in corporate bonds and an overweight position in provincial bonds, the Fund's largest position. Performance was bolstered by timely trading between provincial bonds and government agency bonds, as well as opportunistic purchases among the provinces.

Portfolio turnover is normally high for the Fund, as the portfolio manager attempts to generate better returns through active security selection and optimal term exposure.

Recent Developments

Concern over slowing economic growth, accompanied by stimulative monetary policies by central banks around the world to counter this trend, have led to historically low global interest rates, including negative interest rates in Japan and Europe. In North America, the U.S. Federal Reserve held off on implementing follow-up rate increases in the first half of 2016 in light of mixed economic data and uncertainty surrounding the Brexit aftermath. The Bank of Canada also appears to be on hold for the remainder of the year. While interest rates may have overreacted to the low side in response to current events, the portfolio manager believes that some degree of a "low for long" interest rate environment will persist for the foreseeable future.

Effective July 4, 2016, units of the Fund were no longer available for purchase by new investors. Investors who held units of the Fund on July 4, 2016 can continue to make additional investments into the Fund. In addition, RBC GAM may also maintain capacity for certain investors, including investment funds managed by RBC GAM or its affiliates, that may invest in the Fund.

Effective June 30, 2016, management fees were reduced as follows: from 1.00% to 0.90% for Series C and Advisor Series units; and from 0.50% to 0.40% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions***Manager and Portfolio Manager***

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series A												
June 30, 2016	11.06	0.17	(0.06)	0.08	0.25	0.44	(0.11)	—	—	—	(0.11)	11.38
Dec. 31, 2015	11.24	0.37	(0.13)	0.23	(0.17)	0.30	(0.24)	—	(0.25)	—	(0.49)	11.06
Dec. 31, 2014	10.68	0.38	(0.13)	0.14	0.46	0.85	(0.25)	—	(0.03)	—	(0.28)	11.24
Dec. 31, 2013	11.20	0.39	(0.13)	—	(0.45)	(0.19)	(0.26)	—	(0.07)	—	(0.33)	10.66
Dec. 31, 2012	11.39	0.41	(0.13)	0.30	(0.27)	0.31	(0.28)	—	(0.23)	—	(0.51)	11.20
Dec. 31, 2011	10.95	0.43	(0.12)	0.26	0.30	0.87	(0.30)	—	(0.08)	—	(0.38)	11.39
Advisor Series												
June 30, 2016	11.06	0.17	(0.06)	0.08	0.25	0.44	(0.11)	—	—	—	(0.11)	11.38
Dec. 31, 2015	11.24	0.37	(0.13)	0.23	(0.17)	0.30	(0.24)	—	(0.25)	—	(0.49)	11.06
Dec. 31, 2014	10.68	0.38	(0.13)	0.14	0.46	0.85	(0.25)	—	(0.03)	—	(0.28)	11.24
Dec. 31, 2013	11.20	0.39	(0.13)	—	(0.45)	(0.19)	(0.26)	—	(0.07)	—	(0.33)	10.66
Dec. 31, 2012	11.39	0.41	(0.13)	0.30	(0.27)	0.31	(0.28)	—	(0.23)	—	(0.51)	11.20
Dec. 31, 2011	10.95	0.43	(0.12)	0.26	0.30	0.87	(0.30)	—	(0.08)	—	(0.38)	11.39
Series D												
June 30, 2016	10.97	0.17	(0.03)	0.08	0.25	0.47	(0.14)	—	—	—	(0.14)	11.29
Dec. 31, 2015	11.16	0.37	(0.07)	0.22	(0.17)	0.35	(0.30)	—	(0.26)	—	(0.56)	10.97
Dec. 31, 2014	10.60	0.38	(0.07)	0.14	0.46	0.91	(0.31)	—	(0.03)	—	(0.34)	11.16
Dec. 31, 2013	11.13	0.39	(0.07)	—	(0.45)	(0.13)	(0.32)	—	(0.07)	—	(0.39)	10.59
Dec. 31, 2012	11.33	0.41	(0.07)	0.29	(0.27)	0.36	(0.34)	—	(0.23)	—	(0.57)	11.13
Dec. 31, 2011	10.89	0.42	(0.06)	0.26	0.29	0.91	(0.36)	—	(0.08)	—	(0.44)	11.33
Series F												
June 30, 2016	11.02	0.17	(0.03)	0.08	0.25	0.47	(0.14)	—	—	—	(0.14)	11.34
Dec. 31, 2015	11.21	0.37	(0.07)	0.23	(0.17)	0.36	(0.31)	—	(0.25)	—	(0.56)	11.02
Dec. 31, 2014	10.64	0.38	(0.07)	0.14	0.46	0.91	(0.31)	—	(0.03)	—	(0.34)	11.21
Dec. 31, 2013	11.17	0.39	(0.07)	—	(0.45)	(0.13)	(0.32)	—	(0.07)	—	(0.39)	10.63
Dec. 31, 2012	11.36	0.41	(0.07)	0.30	(0.27)	0.37	(0.34)	—	(0.23)	—	(0.57)	11.17
Dec. 31, 2011	10.92	0.42	(0.06)	0.26	0.30	0.92	(0.36)	—	(0.08)	—	(0.44)	11.36
Series O												
June 30, 2016	10.84	0.17	—	0.08	0.24	0.49	(0.17)	—	—	—	(0.17)	11.16
Dec. 31, 2015	11.03	0.37	(0.01)	0.22	(0.16)	0.42	(0.36)	—	(0.25)	—	(0.61)	10.84
Dec. 31, 2014	10.48	0.37	(0.01)	0.14	0.45	0.95	(0.37)	—	(0.03)	—	(0.40)	11.03
Dec. 31, 2013	11.00	0.38	(0.01)	—	(0.44)	(0.07)	(0.38)	—	(0.07)	—	(0.45)	10.47
Dec. 31, 2012	11.20	0.41	(0.01)	0.29	(0.26)	0.43	(0.40)	—	(0.23)	—	(0.63)	11.00
Dec. 31, 2011	10.76	0.42	(0.01)	0.25	0.29	0.95	(0.41)	—	(0.08)	—	(0.49)	11.20

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	11.38	8 265	727	1.14⁴	1.14	200.50	—
Dec. 31, 2015	11.06	7 551	683	1.15	1.15	217.41	—
Dec. 31, 2014	11.24	6 941	617	1.15	1.15	218.50	—
Dec. 31, 2013	10.68	6 327	593	1.15	1.15	316.19	—
Dec. 31, 2012	11.21	8 260	737	1.15	1.15	255.12	—
Dec. 31, 2011	11.41	7 889	692	1.16	1.16	162.93	—
Advisor Series							
June 30, 2016	11.38	6 333	557	1.14⁴	1.14	200.50	—
Dec. 31, 2015	11.06	5 392	488	1.15	1.15	217.41	—
Dec. 31, 2014	11.24	3 959	352	1.15	1.15	218.50	—
Dec. 31, 2013	10.68	4 296	402	1.15	1.15	316.19	—
Dec. 31, 2012	11.21	4 199	375	1.15	1.15	255.12	—
Dec. 31, 2011	11.41	2 346	206	1.16	1.16	162.93	—
Series D							
June 30, 2016	11.29	22 741	2 015	0.60	0.60	200.50	—
Dec. 31, 2015	10.97	20 695	1 886	0.60	0.60	217.41	—
Dec. 31, 2014	11.16	18 979	1 700	0.60	0.60	218.50	—
Dec. 31, 2013	10.60	17 931	1 691	0.60	0.60	316.19	—
Dec. 31, 2012	11.14	22 251	1 998	0.61	0.61	255.12	—
Dec. 31, 2011	11.34	21 546	1 900	0.62	0.62	162.93	—
Series F							
June 30, 2016	11.34	7 804	688	0.61⁴	0.61	200.50	—
Dec. 31, 2015	11.02	7 246	658	0.60	0.60	217.41	—
Dec. 31, 2014	11.21	4 983	445	0.61	0.61	218.50	—
Dec. 31, 2013	10.64	4 060	382	0.61	0.61	316.19	—
Dec. 31, 2012	11.18	3 808	341	0.61	0.61	255.12	—
Dec. 31, 2011	11.38	3 467	305	0.61	0.61	162.93	—
Series O							
June 30, 2016	11.16	139 008	12 461	0.06	0.06	200.50	—
Dec. 31, 2015	10.84	121 361	11 192	0.06	0.06	217.41	—
Dec. 31, 2014	11.03	119 158	10 801	0.06	0.06	218.50	—
Dec. 31, 2013	10.48	113 627	10 840	0.06	0.06	316.19	—
Dec. 31, 2012	11.01	108 817	9 882	0.06	0.06	255.12	—
Dec. 31, 2011	11.21	98 386	8 774	0.06	0.06	162.93	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.03%, Advisor Series – 1.03% and Series F – 0.50%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	0.90%	50%	50%
Advisor Series	0.90%	50%	50%
Series D	0.50%	30%	70%
Series F	0.40%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

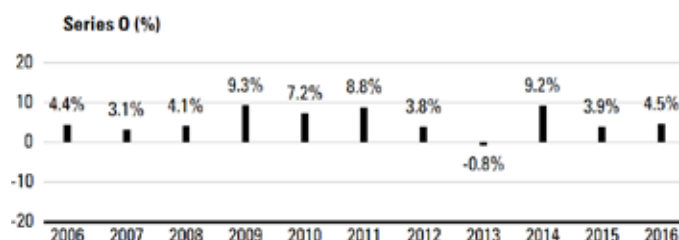
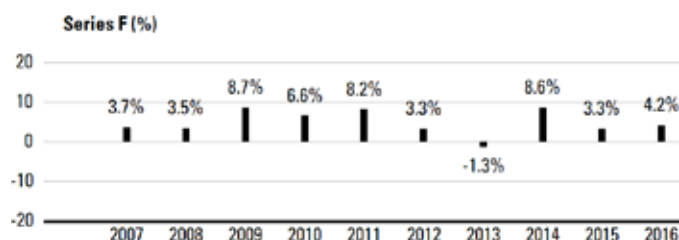
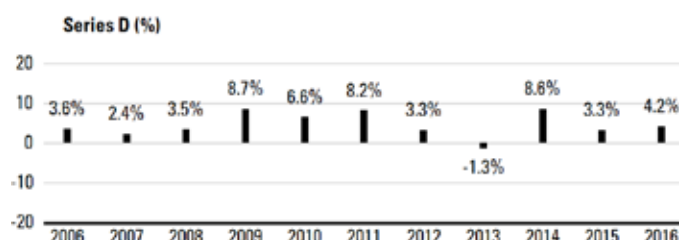
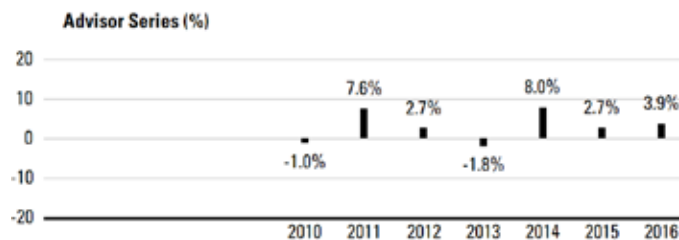
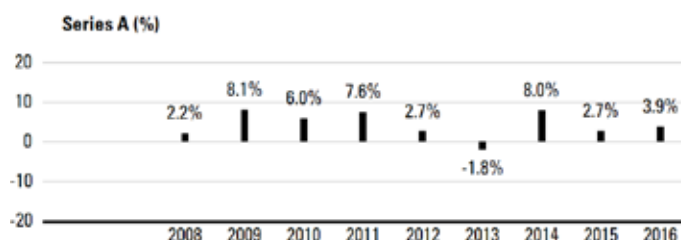
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO*(after consideration of derivative products, if any)**As at June 30, 2016***Investment Mix**

	% of Net Asset Value
Provincial Bonds	35.8
Corporate Bonds	32.2
Federal Bonds	24.1
Municipal Bonds	0.4
Mortgage-Backed Bonds	0.3
Cash/Other	7.2

Top 25 Holdings

	% of Net Asset Value
Government of Canada 0.750% Mar 1 2021	9.2
Cash & Cash Equivalents	6.7
Province of Ontario 7.600% Jun 2 2027	6.1
Province of Ontario 2.900% Dec 2 2046	3.6
Province of Ontario 3.500% Jun 2 2043	2.9
Canada Housing Trust No. 1 1.250% Jun 15 2021	2.1
Province of Ontario 6.200% Jun 2 2031	2.1
Province of Ontario 3.500% Jun 2 2024	2.0
Province of Quebec 8.500% Apr 1 2026	2.0
Province of Ontario 8.100% Sep 8 2023	1.8
National Grid Electricity Transmission Plc. CAD 2.730% Sep 20 2017	1.5
Province of Ontario 6.500% Mar 8 2029	1.5
Government of Canada 0.750% Sep 1 2020	1.5
Province of Ontario 8.500% Dec 2 2025	1.5
Canada Housing Trust No. 1 2.900% Jun 15 2024	1.4
Canada Housing Trust No. 1 3.350% Dec 15 2020	1.3
Bank of Nova Scotia 1.330% May 1 2018	1.3
Government of Canada 1.500% Mar 1 2020	1.2
Canada Housing Trust No. 1 2.650% Mar 15 2022	1.1
Royal Bank of Canada 1.400% Apr 26 2019	1.0
Province of Alberta 2.350% Jun 1 2025	1.0
Government of Canada 2.250% Jun 1 2025	0.9
Province of Manitoba 2.850% Sep 5 2046	0.9
Ontario Electricity Financial Corp. 8.250% Jun 22 2026	0.9
Province of Ontario 5.600% Jun 2 2035	0.8
Top 25 Holdings	56.3

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

FIXED-INCOME FUND

PHILLIPS, HAGER & NORTH
TOTAL RETURN BOND FUND

June 30, 2016

Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with stability of capital by investing primarily in a well-diversified portfolio of fixed-income securities issued primarily by Canadian governments and corporations. It also invests in derivatives. Through a mix of interest income and capital appreciation, the Fund aims to provide a competitive rate of return while controlling the interest rate and credit risks to which it is exposed. To achieve the Fund's investment objective, the portfolio manager invests primarily in medium- to high-quality corporate bonds and government bonds of Canadian, U.S. and other foreign issuers. The Fund may also invest in asset-backed commercial paper to enhance its return (the Fund's weighting in high-yield bonds is generally restricted to a maximum of 20% of its total assets). The average term to maturity of the portfolio is managed within strict guidelines, and typically falls between seven and 12 years.

Results of Operations

The Fund's net asset value was \$8.3 billion as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 4.7%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Bond markets remained volatile in the first half of 2016, as interest rates rose and fell in line with oil prices in the first quarter, and in the second quarter were subject to uncertainty surrounding the U.K. vote on EU membership ("Brexit"). In addition, the global economy continued to slow even with considerable stimulative efforts by the world's central banks. The portfolio manager kept the Fund's term to maturity slightly short in the first half, and made adjustments that added to relative performance.

A more meaningful contribution to relative performance came from strategies involving corporate and quasi-government bonds. The Fund increased its exposure to corporate bonds in the spring as their yields became more attractive amid global uncertainty. Returns then benefited when these positions were sold at a profit as the portfolio manager reduced the positions in the run-up to the Brexit vote. Also helpful was security selection in corporate bonds and a recovery in the Fund's modest high-yield bond allocation. Performance was bolstered by timely trading between provincial bonds, the Fund's largest allocation, and government agency bonds, as well as opportunistic purchases among the provinces.

Portfolio turnover is normally high for the Fund, as the portfolio manager attempts to generate better returns through active security selection and optimal term exposure.

Recent Developments

Concern over slowing economic growth, accompanied by stimulative monetary policies by central banks around the world to counter this trend, have led to historically low global interest rates, including negative interest rates in Japan and Europe. In North America, the U.S. Federal Reserve held off on implementing follow-up rate increases in the first half of 2016 in light of mixed economic data and uncertainty surrounding the Brexit aftermath. The Bank of Canada also appears to be on hold for the remainder of the year. While interest rates may have overreacted to the low side in response to current events, the portfolio manager believes that some degree of a "low for long" interest rate environment will persist for the foreseeable future.

Effective June 30, 2016, management fees were reduced as follows: from 1.00% to 0.90% for Series C and Advisor Series units; and from 0.50% to 0.40% for Series F units. Also effective June 30, 2016, Series H units were re-designated to Series C units, followed by all Series C units being renamed Series A units, and Series I units were re-designated to Series F units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series A												
June 30, 2016	11.52	0.19	(0.07)	0.07	0.28	0.47	(0.13)	—	—	—	(0.13)	11.86
Dec. 31, 2015	11.69	0.40	(0.14)	0.16	(0.17)	0.25	(0.25)	—	(0.22)	—	(0.47)	11.52
Dec. 31, 2014	11.12	0.47	(0.13)	0.15	0.46	0.95	(0.27)	—	(0.05)	—	(0.32)	11.69
Dec. 31, 2013	11.69	0.43	(0.13)	0.05	(0.54)	(0.19)	(0.31)	—	(0.09)	—	(0.40)	11.11
Dec. 31, 2012	11.62	0.45	(0.14)	0.07	—	0.38	(0.32)	—	—	—	(0.32)	11.69
Dec. 31, 2011	11.18	0.48	(0.13)	0.18	0.29	0.82	(0.35)	—	(0.04)	—	(0.39)	11.62
Advisor Series												
June 30, 2016	11.53	0.19	(0.07)	0.07	0.28	0.47	(0.13)	—	—	—	(0.13)	11.88
Dec. 31, 2015	11.69	0.40	(0.14)	0.16	(0.17)	0.25	(0.25)	—	(0.21)	—	(0.46)	11.53
Dec. 31, 2014	11.13	0.46	(0.13)	0.15	0.46	0.94	(0.26)	—	(0.05)	—	(0.31)	11.69
Dec. 31, 2013	11.69	0.43	(0.13)	0.05	(0.54)	(0.19)	(0.31)	—	(0.09)	—	(0.40)	11.11
Dec. 31, 2012	11.62	0.45	(0.14)	0.07	—	0.38	(0.32)	—	—	—	(0.32)	11.69
Dec. 31, 2011	11.18	0.48	(0.13)	0.18	0.29	0.82	(0.35)	—	(0.04)	—	(0.39)	11.62
Series D												
June 30, 2016	11.52	0.19	(0.03)	0.07	0.28	0.51	(0.16)	—	—	—	(0.16)	11.87
Dec. 31, 2015	11.69	0.40	(0.07)	0.16	(0.17)	0.32	(0.32)	—	(0.21)	—	(0.53)	11.52
Dec. 31, 2014	11.12	0.46	(0.07)	0.15	0.46	1.00	(0.33)	—	(0.05)	—	(0.38)	11.69
Dec. 31, 2013	11.68	0.43	(0.07)	0.05	(0.54)	(0.13)	(0.38)	—	(0.09)	—	(0.47)	11.10
Dec. 31, 2012	11.61	0.46	(0.07)	0.07	—	0.46	(0.38)	—	—	—	(0.38)	11.68
Dec. 31, 2011	11.18	0.48	(0.06)	0.18	0.29	0.89	(0.43)	—	(0.04)	—	(0.47)	11.61
Series F												
June 30, 2016	11.53	0.19	(0.04)	0.07	0.28	0.50	(0.16)	—	—	—	(0.16)	11.88
Dec. 31, 2015	11.70	0.40	(0.07)	0.16	(0.17)	0.32	(0.32)	—	(0.21)	—	(0.53)	11.53
Dec. 31, 2014	11.13	0.47	(0.07)	0.15	0.47	1.02	(0.33)	—	(0.05)	—	(0.38)	11.70
Dec. 31, 2013	11.70	0.44	(0.07)	0.05	(0.54)	(0.12)	(0.38)	—	(0.09)	—	(0.47)	11.12
Dec. 31, 2012	11.62	0.45	(0.07)	0.07	—	0.45	(0.38)	—	—	—	(0.38)	11.70
Dec. 31, 2011	11.20	0.48	(0.07)	0.18	0.29	0.88	(0.43)	—	(0.04)	—	(0.47)	11.62
Series O												
June 30, 2016	11.47	0.19	—	0.07	0.28	0.54	(0.19)	—	—	—	(0.19)	11.81
Dec. 31, 2015	11.63	0.40	—	0.16	(0.17)	0.39	(0.39)	—	(0.20)	—	(0.59)	11.47
Dec. 31, 2014	11.06	0.40	—	0.12	0.39	0.91	(0.39)	—	(0.05)	—	(0.44)	11.63
Dec. 31, 2013	11.62	0.43	—	0.05	(0.54)	(0.06)	(0.44)	—	(0.09)	—	(0.53)	11.05
Dec. 31, 2012	11.54	0.45	—	0.07	—	0.52	(0.44)	—	—	—	(0.44)	11.62
Dec. 31, 2011	11.12	0.48	—	0.18	0.29	0.95	(0.49)	—	(0.04)	—	(0.53)	11.54

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	11.86	176 931	14 912	1.16⁴	1.16	189.31	—
Dec. 31, 2015	11.52	153 976	13 367	1.16	1.16	218.83	—
Dec. 31, 2014	11.69	166 803	14 272	1.16	1.16	256.07	—
Dec. 31, 2013	11.12	172 400	15 497	1.16	1.16	283.61	—
Dec. 31, 2012	11.70	253 997	21 710	1.16	1.16	207.49	—
Dec. 31, 2011	11.63	218 565	18 788	1.16	1.16	123.09	—
Advisor Series							
June 30, 2016	11.88	105 224	8 861	1.16⁴	1.16	189.31	—
Dec. 31, 2015	11.53	94 165	8 167	1.16	1.16	218.83	—
Dec. 31, 2014	11.69	98 269	8 404	1.16	1.16	256.07	—
Dec. 31, 2013	11.13	98 849	8 885	1.16	1.16	283.61	—
Dec. 31, 2012	11.70	120 449	10 295	1.16	1.16	207.49	—
Dec. 31, 2011	11.63	45 403	3 903	1.16	1.16	123.09	—
Series D							
June 30, 2016	11.87	583 696	49 194	0.58	0.58	189.31	—
Dec. 31, 2015	11.52	543 855	47 207	0.58	0.58	218.83	—
Dec. 31, 2014	11.69	527 221	45 109	0.59	0.59	256.07	—
Dec. 31, 2013	11.12	487 125	43 821	0.59	0.59	283.61	—
Dec. 31, 2012	11.69	725 163	62 034	0.60	0.60	207.49	—
Dec. 31, 2011	11.62	804 147	69 210	0.60	0.60	123.09	—
Series F							
June 30, 2016	11.88	697 266	58 696	0.61⁴	0.61	189.31	—
Dec. 31, 2015	11.53	462 345	40 085	0.61	0.61	218.83	—
Dec. 31, 2014	11.70	339 951	29 051	0.61	0.61	256.07	—
Dec. 31, 2013	11.13	334 696	30 066	0.61	0.61	283.61	—
Dec. 31, 2012	11.71	320 752	27 394	0.61	0.61	207.49	—
Dec. 31, 2011	11.64	223 472	19 202	0.61	0.61	123.09	—
Series O							
June 30, 2016	11.81	6 691 782	566 402	0.02	0.02	189.31	—
Dec. 31, 2015	11.47	6 103 380	532 024	0.02	0.02	218.83	—
Dec. 31, 2014	11.63	4 777 705	410 781	0.02	0.02	256.07	—
Dec. 31, 2013	11.06	1 526 426	137 995	0.02	0.02	283.61	—
Dec. 31, 2012	11.63	1 494 742	128 536	0.02	0.02	207.49	—
Dec. 31, 2011	11.56	1 249 599	108 130	0.02	0.02	123.09	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.05%, Advisor Series – 1.05% and Series F – 0.50%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	0.90%	50%	50%
Advisor Series	0.90%	50%	50%
Series D	0.50%	30%	70%
Series F	0.40%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

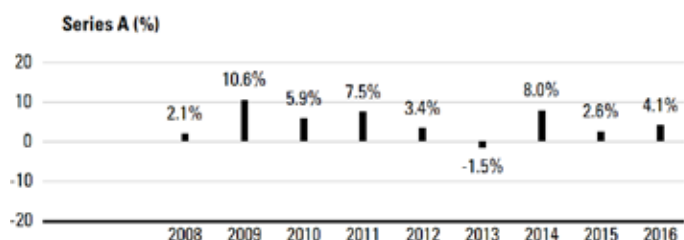
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

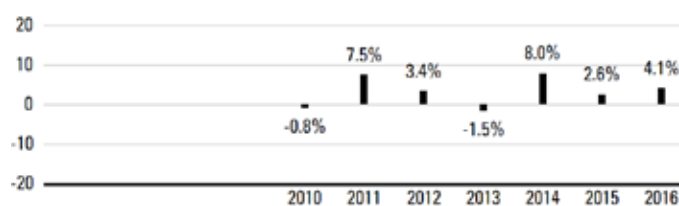
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

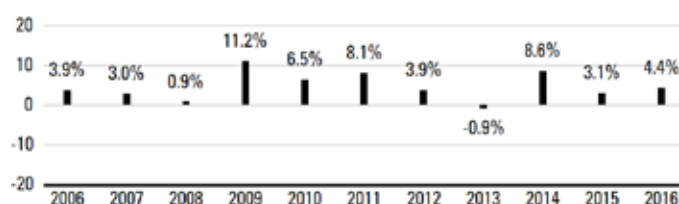
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



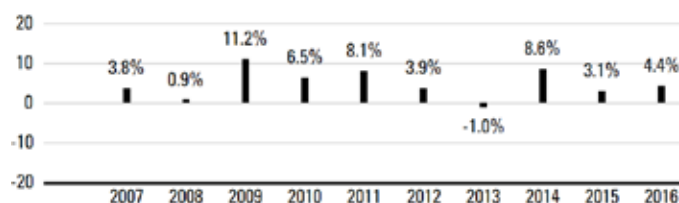
Advisor Series (%)



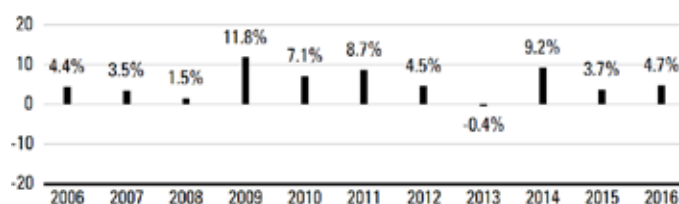
Series D (%)



Series F (%)



Series O (%)



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H units were re-designated as Series C units and then immediately renamed Series A units effective June 30, 2016. All outstanding Series I units were re-designated as Series F units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Corporate Bonds	38.8
Provincial Bonds	34.7
Federal Bonds	20.5
Municipal Bonds	0.2
Mortgages	0.1
Mortgage-Backed Bonds	0.1
Cash/Other	5.6

Top 25 Holdings

	% of Net Asset Value
Long Positions:	
Government of Canada 0.750% Mar 1 2021	7.2
Province of Ontario 7.600% Jun 2 2027	6.0
Province of Ontario 2.900% Dec 2 2046	3.7
Province of Ontario 3.500% Jun 2 2043	2.9
Cash & Cash Equivalents	2.9
Canadian 10-Year Bond Future, September 2016	2.3
Province of Ontario 6.200% Jun 2 2031	2.1
Phillips, Hager & North High Yield Bond Fund	1.8
Province of Ontario 8.100% Sep 8 2023	1.8
Province of Quebec 8.500% Apr 1 2026	1.8
Canada Housing Trust No. 1 1.250% Jun 15 2021	1.8
Government of Canada 3.500% Jun 1 2020	1.3
Province of Ontario 6.500% Mar 8 2029	1.3
Canada Housing Trust No. 1 2.900% Jun 15 2024	1.2
Province of Ontario 8.500% Dec 2 2025	1.2
Government of Canada 0.750% Sep 1 2020	1.1
Canada Housing Trust No. 1 2.650% Mar 15 2022	1.1
Canada Housing Trust No. 1 1.250% Dec 15 2020	1.0
Province of Alberta 2.350% Jun 1 2025	1.0
Royal Bank of Canada 1.400% Apr 26 2019	1.0
Province of Ontario 5.600% Jun 2 2035	0.9
Province of Manitoba 2.850% Sep 5 2046	0.9
Province of Quebec 6.000% Oct 1 2029	0.9
Genesis Trust II 2.433% May 15 2019	0.9
Total Long	48.1

Short Positions:

United States 10-Year Note Future, September 2016	(2.9)
Total Short	(2.9)

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

FIXED-INCOME FUND

PHILLIPS, HAGER & NORTH
INFLATION-LINKED BOND FUND

June 30, 2016

Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to generate inflation-protected interest income to help investors preserve their real (or inflation-adjusted) purchasing power over the long term. To achieve the Fund's investment objective, the portfolio manager invests primarily in real return bonds and inflation-linked bonds issued or guaranteed by Canadian and foreign governments and corporations, including Canadian Real Return Bonds ("RRBs") and U.S. issued Treasury Inflation Protected Securities ("TIPs").

Results of Operations

The Fund's net asset value was \$85 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 6.2%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Bond markets remained volatile in the first half of 2016, as inflation-adjusted interest rates rose and fell in line with oil prices in the first quarter, and in the second quarter were subject to uncertainty surrounding the U.K. vote on EU membership ("Brexit"). In addition, the global economy continued to slow even with considerable stimulative efforts by the world's central banks. The portfolio manager kept the Fund's average term to maturity generally neutral for most of the period, but was able to bolster returns by investing in undervalued securities. The Fund also benefited from small allocations to provincial and corporate inflation-linked bonds, which carried higher yields than Government of Canada bonds. Opportunities in provincial and corporate inflation-linked bonds are limited by the scarcity of such bonds.

The Fund was very active in capitalizing on increased market volatility.

Recent Developments

Concern over slowing economic growth, accompanied by stimulative monetary policies by central banks around the world to counter this trend, have led to historically low global interest rates, including negative interest rates in Japan and Europe. In North America, the U.S. Federal Reserve held off on implementing follow-up rate increases in the first half of 2016 in light of mixed economic data and uncertainty surrounding the Brexit aftermath. The Bank of Canada also appears to be on hold for the remainder of the year. While interest rates may have fallen too far given current events, the portfolio manager believes that some degree of a "low for long" interest rate environment will persist for the foreseeable future.

Effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series A												
June 30, 2016	11.13	0.08	(0.05)	0.15	0.27	0.45	(0.04)	—	—	—	(0.04)	11.74
Dec. 31, 2015	10.99	0.31	(0.11)	(0.36)	0.46	0.30	(0.21)	—	—	—	(0.21)	11.13
Dec. 31, 2014	10.24	0.71	(0.10)	(1.00)	1.82	1.43	(0.61)	—	—	—	(0.61)	10.99
Dec. 31, 2013	12.54	0.54	(0.11)	(1.75)	(0.48)	(1.80)	(0.53)	—	—	—	(0.53)	10.23
Dec. 31, 2012	12.76	0.56	(0.12)	0.02	(0.22)	0.24	(0.46)	—	—	—	(0.46)	12.54
Dec. 31, 2011	11.34	0.53	(0.11)	0.38	1.10	1.90	(0.44)	—	—	—	(0.44)	12.76
Advisor Series												
June 30, 2016	11.13	0.08	(0.05)	0.15	0.27	0.45	(0.04)	—	—	—	(0.04)	11.74
Dec. 31, 2015	10.99	0.31	(0.11)	(0.36)	0.46	0.30	(0.20)	—	—	—	(0.20)	11.13
Dec. 31, 2014	10.24	0.71	(0.10)	(1.00)	1.82	1.43	(0.61)	—	—	—	(0.61)	10.99
Dec. 31, 2013	12.54	0.51	(0.11)	(1.67)	(0.46)	(1.73)	(0.53)	—	—	—	(0.53)	10.22
Dec. 31, 2012	12.76	0.56	(0.12)	0.02	(0.22)	0.24	(0.46)	—	—	—	(0.46)	12.54
Dec. 31, 2011	11.34	0.53	(0.11)	0.38	1.10	1.90	(0.44)	—	—	—	(0.44)	12.76
Series D												
June 30, 2016	11.17	0.08	(0.03)	0.15	0.27	0.47	(0.05)	—	—	—	(0.05)	11.79
Dec. 31, 2015	11.03	0.31	(0.06)	(0.36)	0.47	0.36	(0.25)	—	—	—	(0.25)	11.17
Dec. 31, 2014	10.29	0.72	(0.06)	(1.01)	1.85	1.50	(0.67)	—	—	—	(0.67)	11.03
Dec. 31, 2013	12.61	0.54	(0.06)	(1.78)	(0.49)	(1.79)	(0.59)	—	—	—	(0.59)	10.27
Dec. 31, 2012	12.84	0.57	(0.07)	0.02	(0.23)	0.29	(0.52)	—	—	—	(0.52)	12.61
Dec. 31, 2011	11.37	0.53	(0.06)	0.38	1.10	1.95	(0.46)	—	—	—	(0.46)	12.84
Series F												
June 30, 2016	11.15	0.08	(0.02)	0.15	0.27	0.48	(0.05)	—	—	—	(0.05)	11.77
Dec. 31, 2015	11.01	0.31	(0.04)	(0.36)	0.47	0.38	(0.27)	—	—	—	(0.27)	11.15
Dec. 31, 2014	10.27	0.71	(0.04)	(1.00)	1.82	1.49	(0.69)	—	—	—	(0.69)	11.01
Dec. 31, 2013	12.60	0.55	(0.04)	(1.78)	(0.49)	(1.76)	(0.61)	—	—	—	(0.61)	10.25
Dec. 31, 2012	12.82	0.57	(0.05)	0.02	(0.22)	0.32	(0.54)	—	—	—	(0.54)	12.60
Dec. 31, 2011	11.36	0.53	(0.04)	0.38	1.10	1.97	(0.48)	—	—	—	(0.48)	12.82
Series O												
June 30, 2016	11.25	0.08	—	0.16	0.27	0.51	(0.07)	—	—	—	(0.07)	11.88
Dec. 31, 2015	11.10	0.31	—	(0.36)	0.47	0.42	(0.31)	—	—	—	(0.31)	11.25
Dec. 31, 2014	10.35	0.72	—	(1.01)	1.85	1.56	(0.73)	—	—	—	(0.73)	11.10
Dec. 31, 2013	12.69	0.57	—	(1.85)	(0.51)	(1.79)	(0.65)	—	—	—	(0.65)	10.34
Dec. 31, 2012	12.91	0.57	—	0.02	(0.23)	0.36	(0.58)	—	—	—	(0.58)	12.69
Dec. 31, 2011	11.44	0.54	—	0.39	1.11	2.04	(0.52)	—	—	—	(0.52)	12.91

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	11.74	14 411	1 228	0.93	0.93	3 619.88	—
Dec. 31, 2015	11.13	14 992	1 347	0.93	0.93	1 690.92	—
Dec. 31, 2014	10.99	18 486	1 751	0.94	0.94	836.48	—
Dec. 31, 2013	10.24	26 592	2 597	0.93	0.93	496.60	—
Dec. 31, 2012	12.57	72 950	5 803	0.93	0.93	86.81	—
Dec. 31, 2011	12.77	81 511	6 383	0.93	0.93	93.37	—
Advisor Series							
June 30, 2016	11.74	1 928	164	0.93	0.93	3 619.88	—
Dec. 31, 2015	11.13	1 927	173	0.93	0.93	1 690.92	—
Dec. 31, 2014	10.99	2 094	198	0.94	0.94	836.48	—
Dec. 31, 2013	10.24	3 123	305	0.93	0.93	496.60	—
Dec. 31, 2012	12.57	7 069	562	0.93	0.93	86.81	—
Dec. 31, 2011	12.77	4 474	350	0.93	0.93	93.37	—
Series D							
June 30, 2016	11.79	15 724	1 334	0.55	0.55	3 619.88	—
Dec. 31, 2015	11.17	14 665	1 312	0.55	0.55	1 690.92	—
Dec. 31, 2014	11.03	15 239	1 438	0.55	0.55	836.48	—
Dec. 31, 2013	10.29	15 575	1 514	0.55	0.55	496.60	—
Dec. 31, 2012	12.64	34 751	2 749	0.55	0.55	86.81	—
Dec. 31, 2011	12.85	37 723	2 936	0.56	0.56	93.37	—
Series F							
June 30, 2016	11.77	9 990	849	0.38	0.38	3 619.88	—
Dec. 31, 2015	11.15	8 174	733	0.38	0.38	1 690.92	—
Dec. 31, 2014	11.01	7 793	737	0.39	0.39	836.48	—
Dec. 31, 2013	10.27	12 557	1 223	0.39	0.39	496.60	—
Dec. 31, 2012	12.63	25 030	1 982	0.39	0.39	86.81	—
Dec. 31, 2011	12.83	26 677	2 079	0.39	0.39	93.37	—
Series O							
June 30, 2016	11.88	42 803	3 604	0.03	0.03	3 619.88	—
Dec. 31, 2015	11.25	35 289	3 139	0.03	0.03	1 690.92	—
Dec. 31, 2014	11.10	18 250	1 711	0.03	0.03	836.48	—
Dec. 31, 2013	10.35	26 918	2 600	0.02	0.02	496.60	—
Dec. 31, 2012	12.73	30 534	2 400	0.02	0.02	86.81	—
Dec. 31, 2011	12.93	40 019	3 096	0.02	0.02	93.37	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

FINANCIAL HIGHLIGHTS (cont.)**Management Fees**

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	0.80%	62%	38%
Advisor Series	0.80%	62%	38%
Series D	0.45%	33%	67%
Series F	0.30%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

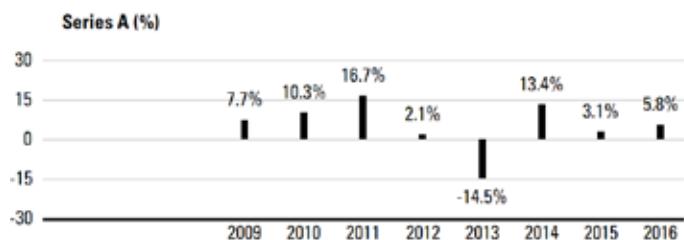
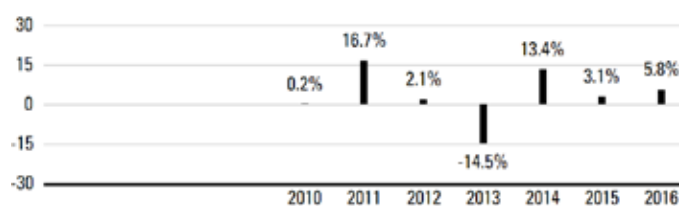
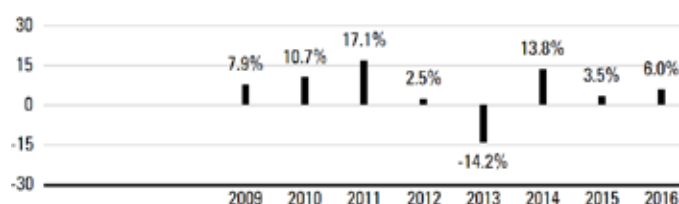
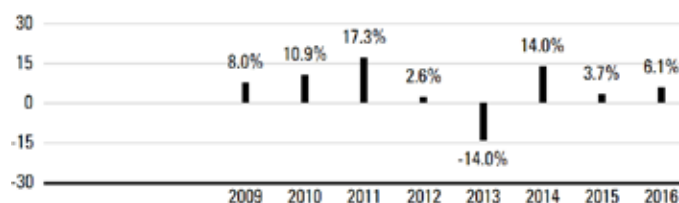
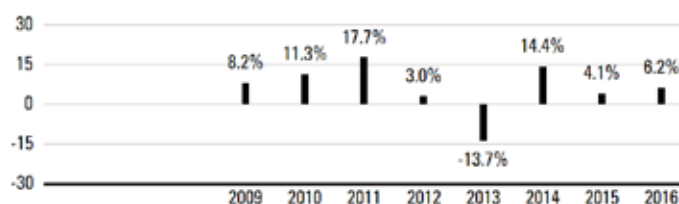
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.

**Advisor Series (%)****Series D (%)****Series F (%)****Series O (%)**

Advisor Series units have been available for sale to unitholders since October 2010, and Series A, Series D, Series F and Series O units since June 2009.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO*(after consideration of derivative products, if any)**As at June 30, 2016***Investment Mix**

	% of Net Asset Value
Federal Bonds	87.4
Provincial Bonds	11.1
Corporate Bonds	0.7
Cash/Other	0.8

Top 25 Holdings*

	% of Net Asset Value
Government of Canada 3.000% Dec 1 2036	19.3
Government of Canada 4.250% Dec 1 2026	16.1
Government of Canada 2.000% Dec 1 2041	12.1
Government of Canada 1.500% Dec 1 2044	11.7
Government of Canada 4.000% Dec 1 2031	11.1
Government of Canada 1.250% Dec 1 2047	9.4
Government of Canada 4.250% Dec 1 2021	6.6
Province of Ontario 2.000% Dec 1 2036	4.6
Province of Quebec 4.250% Dec 1 2031	3.0
Province of Quebec 4.500% Dec 1 2026	2.5
Government of Canada 3.500% Dec 1 2045	1.3
Province of Quebec 4.500% Dec 1 2021	0.9
Teranet Holdings LP 3.270% Dec 1 2031	0.7
Cash & Cash Equivalents	0.7
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

FIXED-INCOME FUND

**PHILLIPS, HAGER & NORTH
HIGH YIELD BOND FUND**

*June 30, 2016***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with a high level of income and the opportunity for capital appreciation by investing primarily in medium quality Canadian and/or foreign corporate bonds, convertible bonds, preferred shares and government bonds issued or traded in Canadian and U.S. dollars. In addition, the portfolio manager may also invest in asset backed commercial paper. The average term to maturity of the portfolio is managed within strict guidelines, typically between three and 10 years.

The investment objectives of the Fund set out above became effective on November 28, 2011 pursuant to receiving unitholder approval for a change in the investment objectives of the Fund.

Results of Operations

The Fund's net asset value was \$4.0 billion as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 8.6%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

It was a particularly volatile first half of the year for the Fund, with a big sell-off in January and February followed by a sharp recovery from then until June. The U.K.'s vote in June to exit the EU ("Brexit") did not seem to have a lasting effect on high-yield fixed income, as yields had dropped significantly by the end of the period from early in 2016. At the end of the first quarter, the high-yield bond market was divided between higher-quality securities yielding 4% to 5% and a significant portion yielding more than twice that level.

Given this situation, the portfolio manager used a "barbell" investment. Specifically, the portfolio manager kept a healthy component of the Fund's assets in cash and high-quality Canadian bank paper, which provided stability, and invested a substantial portion in the longer-term senior debt of higher-quality Canadian energy companies, which would be attractive over one to two years given an improvement in oil prices. This strategy paid off as oil prices almost doubled to the US\$40 to US\$50 range in the second quarter and the Fund's energy holdings performed well, providing further capital appreciation with healthy income. As a result, the Fund now has a sizable allocation to high-quality, Canadian high-yield names that provide stability and current yields of 5% to 6%.

Recent Developments

Concern over slowing economic growth, accompanied by stimulative monetary policies by central banks around the world to counter this trend, have led to historically low global interest rates, including negative interest rates in Japan and Europe. In North America,

the U.S. Federal Reserve held off on implementing follow-up rate increases in the first half of 2016 in light of mixed economic data and uncertainty surrounding the Brexit aftermath. The Bank of Canada also appears to be on hold for the remainder of the year. While interest rates may have overreacted to the low side in response to current events, the portfolio manager believes that some degree of a "low for long" interest rate environment will persist for the foreseeable future.

With oil markets on the mend, the portfolio manager continues to see bonds of higher-quality energy companies in Canada that trade at attractive yields on a risk-adjusted basis, and is seeking to make investments in this area.

Effective June 30, 2016, Series C units were renamed Series A units.

Effective April 7, 2016, units of the Fund are no longer available for purchase by new investors. Investors who held units of the Fund on April 7, 2016 can continue to make additional investments into the Fund. In addition, RBC GAM may also maintain capacity for certain investors, including investment funds managed by RBC GAM or its affiliates, that may invest in the Fund.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series A												
June 30, 2016	10.97	0.36	(0.08)	0.15	0.49	0.92	(0.29)	—	—	—	(0.29)	11.53
Dec. 31, 2015	11.97	0.77	(0.17)	(0.05)	(0.95)	(0.40)	(0.60)	—	—	—	(0.60)	10.97
Dec. 31, 2014	12.18	0.81	(0.18)	(0.06)	(0.18)	0.39	(0.62)	—	—	—	(0.62)	11.97
Dec. 31, 2013	12.19	0.76	(0.18)	0.02	(0.06)	0.54	(0.58)	—	—	—	(0.58)	12.14
Dec. 31, 2012	11.75	0.76	(0.17)	0.24	0.33	1.16	(0.59)	—	(0.14)	—	(0.73)	12.19
Dec. 31, 2011	11.87	0.81	(0.16)	(0.07)	(0.08)	0.50	(0.62)	—	—	—	(0.62)	11.75
Advisor Series												
June 30, 2016	10.97	0.35	(0.08)	0.15	0.49	0.91	(0.29)	—	—	—	(0.29)	11.53
Dec. 31, 2015	11.97	0.77	(0.17)	(0.05)	(0.95)	(0.40)	(0.60)	—	—	—	(0.60)	10.97
Dec. 31, 2014	12.18	0.80	(0.18)	(0.06)	(0.17)	0.39	(0.62)	—	—	—	(0.62)	11.97
Dec. 31, 2013	12.19	0.67	(0.18)	0.01	(0.06)	0.44	(0.58)	—	—	—	(0.58)	12.14
Dec. 31, 2012	11.75	0.76	(0.17)	0.24	0.33	1.16	(0.59)	—	(0.14)	—	(0.73)	12.19
Dec. 31, 2011	11.87	0.81	(0.16)	(0.07)	(0.08)	0.50	(0.62)	—	—	—	(0.62)	11.75
Series D												
June 30, 2016	10.85	0.35	(0.05)	0.15	0.49	0.94	(0.32)	—	—	—	(0.32)	11.40
Dec. 31, 2015	11.84	0.77	(0.10)	(0.05)	(0.94)	(0.32)	(0.67)	—	—	—	(0.67)	10.85
Dec. 31, 2014	12.06	0.80	(0.11)	(0.06)	(0.18)	0.45	(0.69)	—	—	—	(0.69)	11.84
Dec. 31, 2013	12.07	0.75	(0.11)	0.02	(0.06)	0.60	(0.65)	—	—	—	(0.65)	12.02
Dec. 31, 2012	11.64	0.75	(0.11)	0.24	0.33	1.21	(0.65)	—	(0.14)	—	(0.79)	12.07
Dec. 31, 2011	11.77	0.80	(0.10)	(0.07)	(0.08)	0.55	(0.68)	—	—	—	(0.68)	11.64
Series F												
June 30, 2016	10.91	0.35	(0.05)	0.14	0.48	0.92	(0.32)	—	—	—	(0.32)	11.46
Dec. 31, 2015	11.91	0.77	(0.11)	(0.05)	(0.95)	(0.34)	(0.67)	—	—	—	(0.67)	10.91
Dec. 31, 2014	12.12	0.81	(0.11)	(0.06)	(0.18)	0.46	(0.69)	—	—	—	(0.69)	11.91
Dec. 31, 2013	12.14	0.75	(0.11)	0.02	(0.06)	0.60	(0.65)	—	—	—	(0.65)	12.08
Dec. 31, 2012	11.70	0.76	(0.11)	0.24	0.33	1.22	(0.65)	—	(0.14)	—	(0.79)	12.14
Dec. 31, 2011	11.82	0.81	(0.10)	(0.07)	(0.08)	0.56	(0.68)	—	—	—	(0.68)	11.70
Series O												
June 30, 2016	10.47	0.34	—	0.14	0.47	0.95	(0.35)	—	—	—	(0.35)	11.00
Dec. 31, 2015	11.43	0.74	—	(0.04)	(0.91)	(0.21)	(0.74)	—	—	—	(0.74)	10.47
Dec. 31, 2014	11.64	0.78	—	(0.06)	(0.17)	0.55	(0.77)	—	—	—	(0.77)	11.43
Dec. 31, 2013	11.66	0.72	—	0.02	(0.06)	0.68	(0.73)	—	—	—	(0.73)	11.61
Dec. 31, 2012	11.24	0.73	—	0.23	0.32	1.28	(0.72)	—	(0.14)	—	(0.86)	11.66
Dec. 31, 2011	11.36	0.77	—	(0.07)	(0.08)	0.62	(0.75)	—	—	—	(0.75)	11.24

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	11.53	285 068	24 718	1.44	1.44	87.41	—
Dec. 31, 2015	10.97	281 732	25 678	1.44	1.44	108.96	—
Dec. 31, 2014	11.97	390 812	32 643	1.44	1.44	92.99	—
Dec. 31, 2013	12.18	404 326	33 203	1.44	1.44	100.39	—
Dec. 31, 2012	12.22	468 242	38 311	1.43	1.43	71.80	—
Dec. 31, 2011	11.79	453 278	38 439	1.43	1.43	68.79	—
Advisor Series							
June 30, 2016	11.53	84 153	7 296	1.43	1.43	87.41	—
Dec. 31, 2015	10.97	56 717	5 169	1.44	1.44	108.96	—
Dec. 31, 2014	11.97	57 002	4 761	1.45	1.45	92.99	—
Dec. 31, 2013	12.18	13 651	1 121	1.44	1.44	100.39	—
Dec. 31, 2012	12.22	14 350	1 174	1.43	1.43	71.80	—
Dec. 31, 2011	11.79	10 757	912	1.43	1.43	68.79	—
Series D							
June 30, 2016	11.40	627 601	55 044	0.87	0.87	87.41	—
Dec. 31, 2015	10.85	610 061	56 237	0.87	0.87	108.96	—
Dec. 31, 2014	11.84	701 096	59 194	0.87	0.87	92.99	—
Dec. 31, 2013	12.06	665 058	55 152	0.87	0.87	100.39	—
Dec. 31, 2012	12.11	773 936	63 913	0.89	0.89	71.80	—
Dec. 31, 2011	11.68	741 101	63 428	0.89	0.89	68.79	—
Series F							
June 30, 2016	11.46	538 087	46 936	0.88	0.88	87.41	—
Dec. 31, 2015	10.91	385 236	35 317	0.89	0.89	108.96	—
Dec. 31, 2014	11.91	395 716	33 229	0.88	0.88	92.99	—
Dec. 31, 2013	12.12	266 739	22 003	0.88	0.88	100.39	—
Dec. 31, 2012	12.17	335 285	27 545	0.89	0.89	71.80	—
Dec. 31, 2011	11.74	354 188	30 164	0.89	0.89	68.79	—
Series O							
June 30, 2016	11.00	2 476 080	225 075	0.03	0.03	87.41	—
Dec. 31, 2015	10.47	1 864 376	178 093	0.03	0.03	108.96	—
Dec. 31, 2014	11.43	2 004 105	175 361	0.03	0.03	92.99	—
Dec. 31, 2013	11.64	1 939 348	166 580	0.03	0.03	100.39	—
Dec. 31, 2012	11.69	1 709 240	146 173	0.03	0.03	71.80	—
Dec. 31, 2011	11.29	1 393 589	123 477	0.03	0.03	68.79	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.25%	40%	60%
Advisor Series	1.25%	40%	60%
Series D	0.75%	20%	80%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

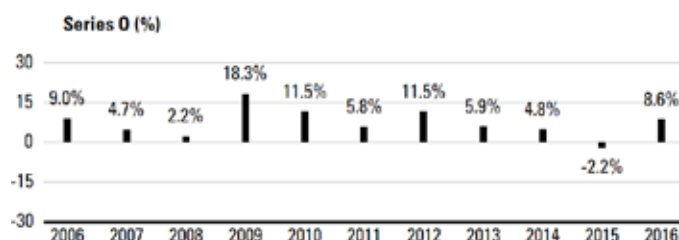
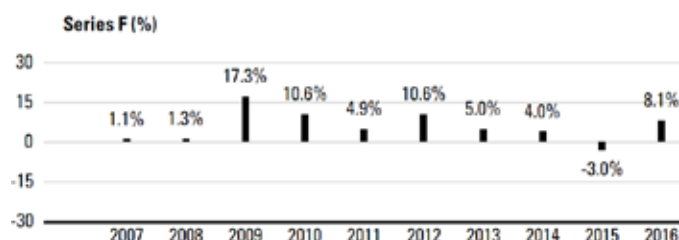
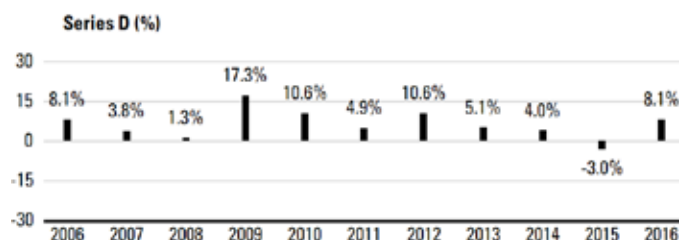
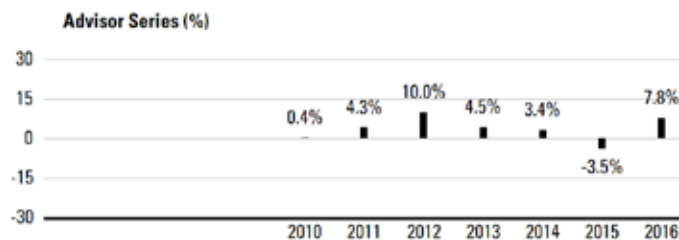
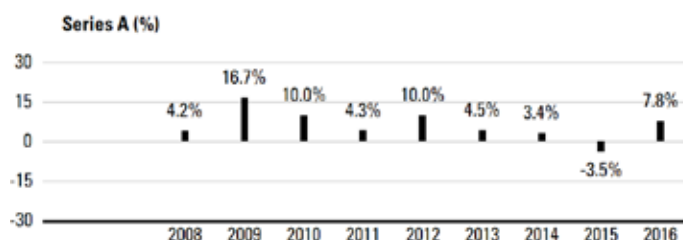
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Corporate Bonds	85.3
Cash/Other	14.7

Top 25 Holdings

	% of Net Asset Value
Cash & Cash Equivalents	13.9
Quebecor Media Inc. 6.625% Jan 15 2023	5.5
Paramount Resources Ltd. USD 6.875% Jun 30 2023	3.9
Trilogy Energy Corp. 7.250% Dec 13 2019	3.4
Trinidad Drilling Ltd. USD 7.875% Jan 15 2019	3.3
Bank of Nova Scotia 3.367% Dec 8 2025	3.2
Baytex Energy Corp. 6.625% Jul 19 2022	3.0
Northern Blizzard Resources Inc. USD 7.250% Feb 1 2022	2.7
Precision Drilling Corp. USD 6.625% Nov 15 2020	2.5
Canadian Energy Services & Technology Corp. 7.375% Apr 17 2020	2.3
Bank of Montreal 3.320% Jun 1 2026	2.3
Baytex Energy Corp. USD 6.750% Feb 17 2021	2.2
Newalta Corp. 7.750% Nov 14 2019	2.2
Western Energy Services Corp. 7.875% Jan 30 2019	2.2
Canadian Imperial Bank of Commerce 3.420% Jan 26 2026	2.1
Royal Bank of Canada 3.310% Jan 20 2026	1.9
Superior Plus LP 6.500% Dec 9 2021	1.9
Videotron Ltd. 6.875% Jul 15 2021	1.9
Calfrac Holdings LP 7.500% Dec 1 2020	1.8
Quebecor Media Inc. 7.375% Jan 15 2021	1.8
Gibson Energy Inc. 7.000% Jul 15 2020	1.7
Bank of Montreal 3.340% Dec 8 2025	1.7
Bank of Montreal 3.120% Sep 19 2024	1.6
Noralta Lodge Ltd. 7.500% Sep 24 2019	1.6
Parkland Fuel Corp. 6.000% Nov 21 2022	1.5
Top 25 Holdings	72.1

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

FIXED-INCOME FUND

PHILLIPS, HAGER & NORTH LONG
INFLATION-LINKED BOND FUND*June 30, 2016***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND
MANAGEMENT DISCUSSION OF FUND PERFORMANCE
Investment Objective and Strategies

The Fund seeks to generate interest income that is hedged against inflation by investing primarily in longer-term real-return bonds and inflation-linked bonds issued by Canadian and foreign governments and corporations.

To achieve the Fund's investment objectives, the portfolio manager invests primarily in the above-mentioned securities. The Fund's portfolio will include various longer-term maturities that are intended to match longer-term liabilities and to manage the interest-rate risk of the Phillips, Hager & North LifeTime Funds, which may hold the Fund in their portfolios. The Fund may also invest in asset-backed securities, including mortgage-backed securities and may invest all or a portion of the Fund's assets in one or more securities as permitted by securities legislation.

Results of Operations

The Fund's net asset value was \$60 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 10.5%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Bond markets remained volatile in the first half of 2016, as inflation-adjusted interest rates rose and fell in line with oil prices in the first quarter, and in the second quarter were subject to uncertainty surrounding the U.K. vote on EU membership. As inflation-adjusted rates fell in the period, the market value of the Fund's portfolio of bonds rose.

The Fund invests in the two longest-term Government of Canada real-return bonds, which mature in 2044 and 2047. These bonds began the year with an inflation-adjusted yield of 0.7%, which decreased to 0.3% as of June 30, 2016.

Recent Developments

The Fund's performance will depend entirely on the performance of the two bonds in the portfolio. Inflation-adjusted interest rates are low by historical standards, and below levels that reflect the portfolio manager's expectations for Canada's economic growth rate. As a result, the portfolio manager expects inflation-adjusted yields will ultimately rise, and given the long-term nature of the Fund, any rise could lead to significant investor losses.

Related-Party Transactions
Manager, Portfolio Manager and Registrar

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager, principal portfolio manager and registrar of the Fund. RBC GAM is responsible for the Fund's day-to-day operations,

provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM, as registrar, also keeps the records of who owns the units of the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributor

RBC GAM is the principal distributor of the Fund.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series O												
June 30, 2016	11.35	0.07	—	—	1.17	1.24	—	—	—	—	—	12.54
Dec. 31, 2015	11.63	0.24	—	0.31	(0.42)	0.13	(0.20)	—	(0.27)	—	(0.47)	11.35
Dec. 31, 2014	9.91	0.35	—	0.01	1.57	1.93	(0.29)	—	(0.02)	—	(0.31)	11.63
Dec. 31, 2013	12.30	0.20	—	(0.04)	(2.27)	(2.11)	(0.15)	—	—	—	(0.15)	9.90
Dec. 31, 2012	12.04	0.25	—	0.05	0.23	0.53	(0.19)	—	(0.03)	—	(0.22)	12.30
Dec. 31, 2011 ³	10.00 [†]	0.40	—	0.27	2.39	3.06	(0.28)	—	(0.20)	—	(0.48)	12.04

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From January 2011.

[†] Initial offering net asset value per unit.

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series O							
June 30, 2016	12.54	59 770	4 764	0.02	0.03	11.06	—
Dec. 31, 2015	11.35	49 142	4 330	0.02	0.03	57.72	—
Dec. 31, 2014	11.63	34 454	2 964	0.02	0.03	7.14	—
Dec. 31, 2013	9.91	19 047	1 921	0.02	0.04	3.95	—
Dec. 31, 2012	12.31	9 206	747	0.02	0.09	4.36	—
Dec. 31, 2011 ⁴	12.05	2 495	207	0.02	0.27	23.15	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From January 2011.

Management Fees

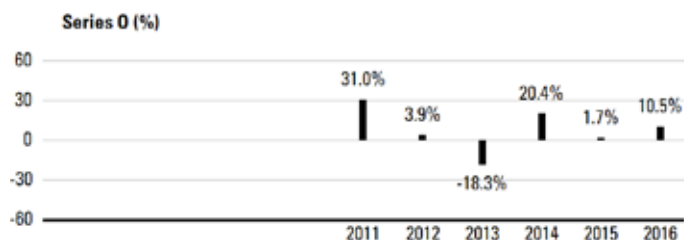
RBC GAM is the manager, portfolio manager and registrar of the Fund. No management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND
PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Series O units have been available for sale to unitholders since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Federal Bonds	99.3
Cash/Other	0.7

Top 25 Holdings*

	% of Net Asset Value
Government of Canada 1.250% Dec 1 2047	69.6
Government of Canada 1.500% Dec 1 2044	29.8
Cash & Cash Equivalents	0.6
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

BALANCED FUND

**PHILLIPS, HAGER & NORTH
MONTHLY INCOME FUND**

*June 30, 2016***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with monthly income that may consist of dividend income, interest income, realized capital gains and return of capital. Investors in the Fund will also have the potential for modest capital growth. To achieve the Fund's investment objective, the portfolio manager primarily invests in a well diversified balanced portfolio of income-producing equity securities, including, but not limited to, common shares of dividend-paying Canadian companies and income trusts. The Fund may also invest in fixed-income securities such as preferred shares, government and corporate bonds, debentures and notes, asset backed commercial paper, mortgage backed securities and other income-generating securities.

The Fund's target weightings for each asset class are 50% for fixed income and 50% for equities. The target weightings for each asset class may be adjusted based on changes in the market outlook for each asset class.

Results of Operations

The Fund's net asset value was \$2.4 billion as of June 30, 2016.

The Fund made monthly distributions of 3.80 cents per Series A unit in the first half of 2016.

Over the past six months, the Fund's Series O units gained 7.3%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Canadian stocks began the year with significant declines as prices for oil and some other commodities fell to multi-year lows. However, the Canadian equity market rebounded beginning in February along with a recovery in oil and gold prices and finished the period in positive territory.

Within the equity allocation, Energy was the Fund's best-performing sector during the period, due primarily to strong security selection. Stocks of companies that explore for and produce oil and gas led the sector higher. The Fund's overweight positions in Seven Generations, ARC Resources and Crescent Point Energy contributed to relative performance. The Fund's relative lack of exposure to surging gold stocks was negative for the Fund's performance. The absence in the portfolio of Barrick Gold and Yamana Gold, two large-cap gold companies, held back returns.

Bond markets remained volatile in the first half of 2016, as interest rates rose and fell in line with oil prices in the first quarter, and in the second quarter were subject to uncertainty surrounding the U.K. vote on EU membership ("Brexit"). In addition, the global economy continued to slow even with stimulative efforts by the world's central

banks. The portfolio manager kept the Fund's term to maturity slightly short in the first half, and made adjustments that added to relative performance.

Within the Fund's fixed-income allocation, a meaningful contribution to relative performance came from strategies involving corporate and quasi-government bonds. The Fund increased its exposure to corporate bonds as they became more attractive amid uncertainty in the run-up to the Brexit vote. Returns then benefited when corporate bonds outperformed in the wake of the vote, and the portfolio manager sold some corporate bonds to lock in gains. Also helpful was security selection in corporate bonds and an overweight position in provincial bonds, the Fund's largest position. Performance was bolstered by timely trading between provincial bonds and government agency bonds, as well as opportunistic purchases among the provinces.

Portfolio turnover was elevated for the Fund, as the portfolio manager attempted to generate better returns through active security selection and optimal exposures.

Recent Developments

Slow economic growth and heightened levels of uncertainty are creating a challenging environment for investors. While the overall backdrop seems slightly less murky than a quarter ago, the list of threats to the economy and capital markets remains extensive and clustered to the downside. Profit growth has yet to recover, although there are signs that earnings may now be stabilizing, and the geopolitical and financial risks on the horizon are varied. Most prominent of late was the Brexit vote bringing risks from transmission via financial conditions in the near term and political developments in the long term. Globally, the prospect of better growth over the second half of 2016 and into 2017 now appears much less certain.

Effective June 30, 2016, Series H and Series I units of the Fund are no longer available for purchase by new investors. Investors who held Series H and Series I units of the Fund on June 30, 2016 can continue to make additional investments into the Fund. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series, Series H and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$209,000 (2015 – \$88,000), or 8% (2015 – 3%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series A												
June 30, 2016	9.08	0.17	(0.09)	(0.08)	0.53	0.53	(0.23)	—	—	—	(0.23)	9.42
Dec. 31, 2015	10.03	0.37	(0.19)	(0.07)	(0.53)	(0.42)	(0.01)	(0.19)	(0.04)	(0.26)	(0.50)	9.08
Dec. 31, 2014	10.45	0.36	(0.21)	0.71	(0.24)	0.62	(0.08)	(0.17)	(0.86)	—	(1.11)	10.03
Dec. 31, 2013	10.43	0.39	(0.20)	0.42	0.09	0.70	(0.15)	(0.19)	(0.36)	—	(0.70)	10.44
Dec. 31, 2012	10.19	0.43	(0.20)	0.17	0.35	0.75	(0.15)	(0.20)	(0.12)	(0.04)	(0.51)	10.43
Dec. 31, 2011	10.63	0.45	(0.19)	(0.20)	(0.09)	(0.03)	(0.23)	(0.19)	(0.08)	(0.03)	(0.53)	10.19
Advisor Series												
June 30, 2016	9.08	0.17	(0.09)	(0.08)	0.53	0.53	(0.23)	—	—	—	(0.23)	9.42
Dec. 31, 2015	10.03	0.37	(0.19)	(0.07)	(0.53)	(0.42)	(0.01)	(0.19)	(0.04)	(0.26)	(0.50)	9.08
Dec. 31, 2014	10.45	0.37	(0.20)	0.73	(0.25)	0.65	(0.08)	(0.17)	(0.86)	—	(1.11)	10.03
Dec. 31, 2013	10.43	0.38	(0.20)	0.41	0.09	0.68	(0.15)	(0.19)	(0.36)	—	(0.70)	10.44
Dec. 31, 2012	10.19	0.43	(0.20)	0.17	0.35	0.75	(0.15)	(0.20)	(0.12)	(0.04)	(0.51)	10.43
Dec. 31, 2011	10.63	0.45	(0.19)	(0.20)	(0.09)	(0.03)	(0.23)	(0.19)	(0.08)	(0.03)	(0.53)	10.19
Series H												
June 30, 2016	9.15	0.18	(0.08)	(0.08)	0.54	0.56	(0.23)	—	—	—	(0.23)	9.50
Dec. 31, 2015	10.08	0.37	(0.17)	(0.07)	(0.53)	(0.40)	(0.01)	(0.19)	(0.04)	(0.26)	(0.50)	9.15
Dec. 31, 2014	10.48	0.37	(0.19)	0.73	(0.25)	0.66	(0.08)	(0.17)	(0.86)	—	(1.11)	10.08
Dec. 31, 2013	10.44	0.39	(0.18)	0.42	0.09	0.72	(0.15)	(0.19)	(0.36)	—	(0.70)	10.47
Dec. 31, 2012 ³	10.22 [†]	0.19	(0.09)	0.08	0.16	0.34	(0.07)	(0.11)	(0.06)	(0.02)	(0.26)	10.44
Series D												
June 30, 2016	9.58	0.18	(0.05)	(0.08)	0.56	0.61	(0.24)	—	—	—	(0.24)	9.98
Dec. 31, 2015	10.49	0.38	(0.11)	(0.07)	(0.56)	(0.36)	(0.01)	(0.21)	(0.04)	(0.27)	(0.53)	9.58
Dec. 31, 2014	10.82	0.39	(0.12)	0.76	(0.26)	0.77	(0.08)	(0.18)	(0.88)	—	(1.14)	10.49
Dec. 31, 2013	10.70	0.40	(0.12)	0.43	0.09	0.80	(0.15)	(0.19)	(0.37)	—	(0.71)	10.81
Dec. 31, 2012	10.36	0.44	(0.12)	0.18	0.36	0.86	(0.15)	(0.21)	(0.12)	(0.04)	(0.52)	10.70
Dec. 31, 2011	10.72	0.46	(0.11)	(0.20)	(0.09)	0.06	(0.23)	(0.19)	(0.08)	(0.03)	(0.53)	10.36
Series F												
June 30, 2016	9.74	0.19	(0.04)	(0.08)	0.57	0.64	(0.24)	—	—	—	(0.24)	10.16
Dec. 31, 2015	10.64	0.39	(0.09)	(0.07)	(0.57)	(0.34)	(0.01)	(0.20)	(0.04)	(0.28)	(0.53)	9.74
Dec. 31, 2014	10.94	0.39	(0.09)	0.77	(0.26)	0.81	(0.08)	(0.18)	(0.89)	—	(1.15)	10.64
Dec. 31, 2013	10.79	0.40	(0.09)	0.44	0.10	0.85	(0.15)	(0.19)	(0.37)	—	(0.71)	10.93
Dec. 31, 2012	10.42	0.44	(0.09)	0.18	0.36	0.89	(0.15)	(0.20)	(0.13)	(0.04)	(0.52)	10.79
Dec. 31, 2011	10.75	0.46	(0.08)	(0.20)	(0.09)	0.09	(0.23)	(0.19)	(0.08)	(0.03)	(0.53)	10.42

FINANCIAL HIGHLIGHTS (cont.)

Change in Net Assets Per Unit (\$) (cont.)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series I												
June 30, 2016	9.81	0.19	(0.03)	(0.08)	0.57	0.65	(0.25)	—	—	—	(0.25)	10.24
Dec. 31, 2015	10.69	0.39	(0.07)	(0.07)	(0.56)	(0.31)	(0.01)	(0.20)	(0.04)	(0.28)	(0.53)	9.81
Dec. 31, 2014	10.97	0.39	(0.07)	0.77	(0.26)	0.83	(0.08)	(0.18)	(0.89)	—	(1.15)	10.69
Dec. 31, 2013	10.80	0.40	(0.07)	0.44	0.10	0.87	(0.15)	(0.19)	(0.37)	—	(0.71)	10.96
Dec. 31, 2012 ³	10.52 [†]	0.20	(0.03)	0.08	0.17	0.42	(0.08)	(0.10)	(0.06)	(0.02)	(0.26)	10.80
Series O												
June 30, 2016	10.21	0.20	—	(0.08)	0.60	0.72	(0.26)	—	—	—	(0.26)	10.69
Dec. 31, 2015	11.06	0.41	(0.01)	(0.08)	(0.59)	(0.27)	(0.01)	(0.21)	(0.04)	(0.29)	(0.55)	10.21
Dec. 31, 2014	11.27	0.42	(0.01)	0.81	(0.28)	0.94	(0.09)	(0.19)	(0.90)	—	(1.18)	11.06
Dec. 31, 2013	11.03	0.41	(0.01)	0.45	0.10	0.95	(0.15)	(0.20)	(0.38)	—	(0.73)	11.26
Dec. 31, 2012	10.56	0.45	(0.01)	0.18	0.37	0.99	(0.15)	(0.21)	(0.13)	(0.04)	(0.53)	11.03
Dec. 31, 2011	10.80	0.46	(0.01)	(0.20)	(0.09)	0.16	(0.23)	(0.19)	(0.08)	(0.03)	(0.53)	10.56

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From July 2012.

[†] Initial offering net asset value per unit.

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	9.42	1 869 787	198 490	1.92	1.92	252.62	0.23
Dec. 31, 2015	9.08	2 048 442	225 496	1.92	1.92	206.03	0.24
Dec. 31, 2014	10.03	2 754 742	274 644	1.94	1.94	187.77	0.24
Dec. 31, 2013	10.45	573 572	54 901	1.92	1.92	220.70	0.27
Dec. 31, 2012	10.44	568 106	55 703	1.94	1.94	192.25	0.27
Dec. 31, 2011	10.20	541 416	53 076	1.94	1.94	206.93	0.46
Advisor Series							
June 30, 2016	9.42	86 358	9 167	1.92	1.92	252.62	0.23
Dec. 31, 2015	9.08	94 677	10 422	1.92	1.92	206.03	0.24
Dec. 31, 2014	10.03	133 056	13 265	1.92	1.92	187.77	0.24
Dec. 31, 2013	10.45	131 135	12 551	1.92	1.92	220.70	0.27
Dec. 31, 2012	10.44	115 749	9 771	1.94	1.94	192.25	0.27
Dec. 31, 2011	10.20	69 861	6 849	1.94	1.94	206.93	0.46
Series H							
June 30, 2016	9.50	64 484	6 790	1.74	1.74	252.62	0.23
Dec. 31, 2015	9.15	40 118	4 385	1.74	1.74	206.03	0.24
Dec. 31, 2014	10.08	58 352	5 789	1.74	1.74	187.77	0.24
Dec. 31, 2013	10.48	36 308	3 466	1.74	1.74	220.70	0.27
Dec. 31, 2012 ⁴	10.45	33 912	3 245	1.77	1.77	192.25	0.27

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data (cont.)

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2016	9.98	131 318	13 158	1.09	1.09	252.62	0.23
Dec. 31, 2015	9.58	130 065	13 571	1.09	1.09	206.03	0.24
Dec. 31, 2014	10.49	153 635	14 642	1.08	1.08	187.77	0.24
Dec. 31, 2013	10.82	138 932	12 840	1.09	1.09	220.70	0.27
Dec. 31, 2012	10.72	114 623	10 695	1.12	1.12	192.25	0.27
Dec. 31, 2011	10.38	92 254	8 890	1.12	1.12	206.93	0.46
Series F							
June 30, 2016	10.16	65 567	6 454	0.83	0.83	252.62	0.23
Dec. 31, 2015	9.74	66 943	6 872	0.83	0.83	206.03	0.24
Dec. 31, 2014	10.64	85 017	7 994	0.83	0.83	187.77	0.24
Dec. 31, 2013	10.94	81 613	7 459	0.83	0.83	220.70	0.27
Dec. 31, 2012	10.81	70 056	6 481	0.83	0.83	192.25	0.27
Dec. 31, 2011	10.44	61 264	5 869	0.83	0.83	206.93	0.46
Series I							
June 30, 2016	10.24	9 139	893	0.64	0.64	252.62	0.23
Dec. 31, 2015	9.81	8 160	832	0.65	0.65	206.03	0.24
Dec. 31, 2014	10.69	16 892	1 581	0.65	0.65	187.77	0.24
Dec. 31, 2013	10.97	10 218	932	0.66	0.66	220.70	0.27
Dec. 31, 2012 ⁴	10.82	14 179	1 310	0.68	0.68	192.25	0.27
Series O							
June 30, 2016	10.69	174 529	16 328	0.06	0.06	252.62	0.23
Dec. 31, 2015	10.21	195 642	19 159	0.06	0.06	206.03	0.24
Dec. 31, 2014	11.06	250 753	22 678	0.06	0.06	187.77	0.24
Dec. 31, 2013	11.27	2 204 094	195 565	0.06	0.06	220.70	0.27
Dec. 31, 2012	11.04	1 718 395	155 627	0.06	0.06	192.25	0.27
Dec. 31, 2011	10.58	1 266 670	119 746	0.06	0.06	206.93	0.46

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From July 2012.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.65%	61%	39%
Advisor Series	1.65%	61%	39%
Series H	1.50%	67%	33%
Series D	0.90%	28%	72%
Series F	0.65%	—	100%
Series I	0.50%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

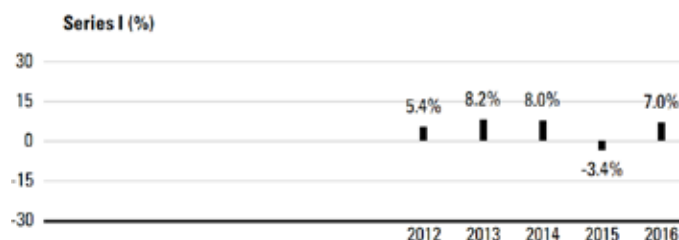
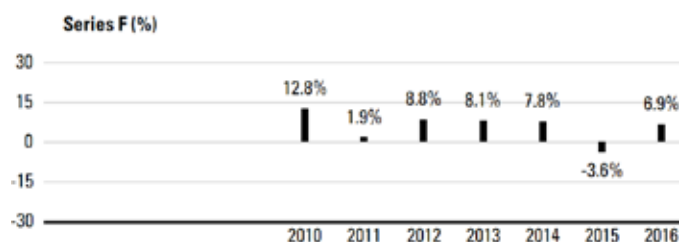
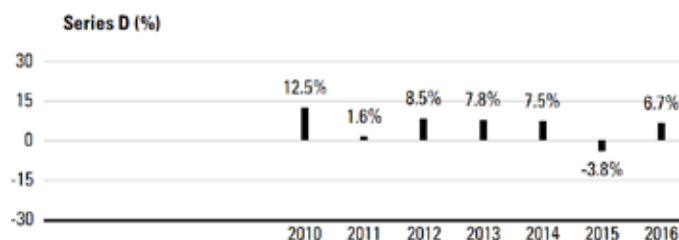
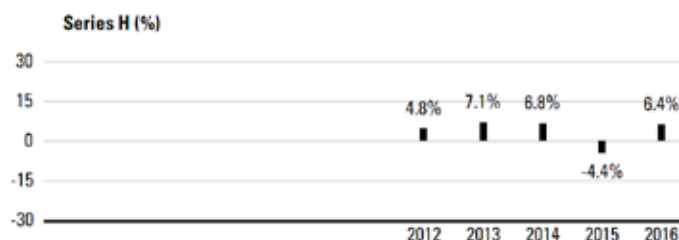
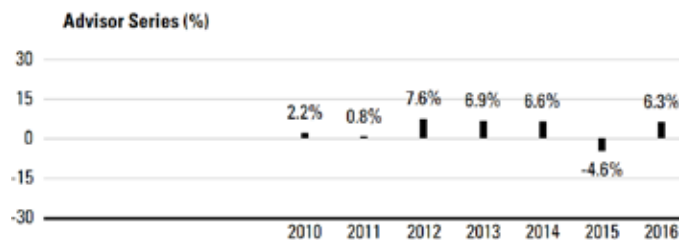
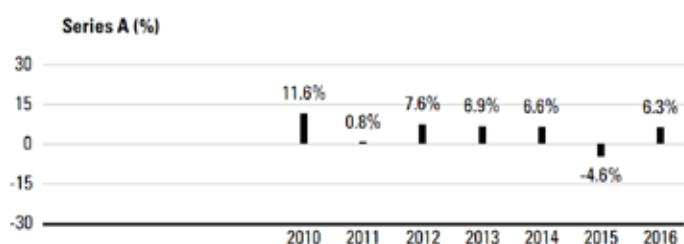
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

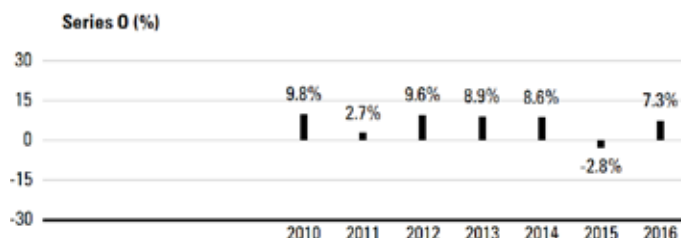
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



PAST PERFORMANCE (cont.)



Series H and Series I units have been available for sale to unitholders since July 2012, Advisor Series units since October 2010, Series O units since April 2010, and Series A, Series D and Series F units since December 2009.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Canadian Equities	48.3
Bonds	42.8
Preferred Equities	5.2
Cash/Other	3.7

Top 25 Holdings

	% of Net Asset Value
RBC High Yield Bond Fund	5.7
Toronto-Dominion Bank	4.6
Royal Bank of Canada	4.2
Phillips, Hager & North High Yield Bond Fund	4.1
Cash & Cash Equivalents	3.5
Bank of Nova Scotia	2.8
Government of Canada 0.750% Mar 1 2021	2.6
Province of Ontario 7.600% Jun 2 2027	2.3
Manulife Financial Corporation	2.0
Brookfield Asset Management Inc., Class A	1.9
Enbridge Inc.	1.8
Alimentation Couche-Tard Inc.	1.8
Rogers Communications Inc., Class B	1.4
CI Financial Corp.	1.3
PrairieSky Royalty Ltd.	1.3
Province of Ontario 2.900% Dec 2 2046	1.3
Franco-Nevada Corp.	1.2
Goldcorp Inc.	1.2
National Bank of Canada	1.1
Dollarama Inc.	1.0
Province of Ontario 3.500% Jun 2 2043	1.0
Fortis Inc.	0.9
Thomson Corp.	0.9
Pembina Pipeline Corp.	0.9
Brookfield Property Partners LP	0.9
Top 25 Holdings	51.7

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

BALANCED FUND

**PHILLIPS, HAGER & NORTH
BALANCED FUND**

*June 30, 2016***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth and income by investing primarily in a strategic asset mix of Canadian and foreign equities, Canadian fixed-income securities and money market instruments. Its asset mix is adjusted periodically to reflect changing economic and market conditions. The magnitude and timing of all rebalancing decisions within the Fund are made by a team of investment professionals who focus on determining the best asset mix in any given economic environment. To achieve the Fund's investment objective, the portfolio manager invests a significant portion or even all of the net asset value of the Fund in other funds managed by RBC GAM where the investment is consistent with the investment objectives and strategies of the Fund.

Results of Operations

The Fund's net asset value was \$816 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 3.2%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

U.S. economic growth continued to lead the world's developed markets, while growth in Japan and in much of Europe and emerging markets continued to disappoint. Signs of significantly slower global economic growth appeared early in January 2016, leading to sharp financial-market declines in the first few weeks of the year. Oil prices followed growth expectations lower and by February had touched the lowest level in more than a decade, depressed in part by a surge in supply relative to demand. Oil prices and financial markets recovered somewhat beginning in February, and the rebound continued for much of the first quarter. In the second half of the period, the debate leading up to the U.K.'s eventual decision to exit the EU ("Brexit") largely replaced growth concerns as the main driver of markets.

The Fund was overweight stocks and underweight bonds for the majority of the period, which had a negative impact on performance. Government-bond yields in the U.S., Japan, Germany and Canada fell to record lows during the period amid Brexit concerns, leading to gains for investors as bond prices rose. Prices of non-government bonds also increased, with high-yield bonds performing particularly well following the oil-price rebound. Both of the Fund's fixed-income holdings contributed positively to returns, led by the Phillips, Hager & North Bond Fund.

North American equities posted gains during the period led by Canadian markets, which benefited from a rebound in commodity prices. U.S. equities had gains in the low single digits, while Brexit worries resulted in losses for markets in Europe and Asia. The

Phillips, Hager & North Canadian Equity Underlying Fund had a positive impact on performance, while the RBC Global Equity Focus Fund and the RBC QUBE Global Equity Fund had a negative effect.

Recent Developments

The portfolio manager's core scenario contemplates sluggish U.S. economic growth and low inflation, and the threats to the forecast appear tilted to the downside. Negative interest rates and full-fledged quantitative-easing programs are now in force in the Eurozone and Japan, and the Bank of England may cut interest rates in response to Brexit. The U.S. Federal Reserve, meanwhile, is likely to push ahead with rate hikes, although the timing is uncertain and data-dependent. While interest rates are at unusually low levels, the path to higher yields will likely be gradual and stretched over a very long period given current and forecast economic conditions. The Fund remains modestly underweight bonds as even a small increase in yields could lead to negative total returns. The bulk of recent equity-market gains have been delivered through expanding valuations. In the view of the portfolio manager, earnings growth is now critical to keeping the bull market alive. Given continued uncertainty surrounding the effects of recent macroeconomic events, the Fund recently moved to a slight underweight position in stocks, with the remainder in cash.

Effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series A												
June 30, 2016	18.63	0.13	(0.18)	0.09	0.38	0.42	—	—	—	—	—	19.03
Dec. 31, 2015	18.78	0.55	(0.39)	0.78	(0.23)	0.71	(0.06)	(0.20)	(0.64)	—	(0.90)	18.63
Dec. 31, 2014	18.97	0.51	(0.39)	2.40	(0.63)	1.89	(0.04)	(0.10)	(1.93)	—	(2.07)	18.78
Dec. 31, 2013	17.03	0.51	(0.35)	0.25	1.70	2.11	(0.07)	(0.11)	—	—	(0.18)	18.97
Dec. 31, 2012	16.23	0.52	(0.33)	0.09	0.80	1.08	(0.08)	(0.15)	(0.05)	—	(0.28)	17.03
Dec. 31, 2011	17.50	0.58	(0.33)	0.21	(1.26)	(0.80)	(0.14)	(0.08)	(0.24)	—	(0.46)	16.23
Advisor Series												
June 30, 2016	18.64	0.13	(0.18)	0.09	0.38	0.42	—	—	—	—	—	19.04
Dec. 31, 2015	18.79	0.55	(0.39)	0.78	(0.23)	0.71	(0.06)	(0.20)	(0.64)	—	(0.90)	18.64
Dec. 31, 2014	18.98	0.51	(0.39)	2.40	(0.63)	1.89	(0.04)	(0.10)	(1.93)	—	(2.07)	18.79
Dec. 31, 2013	17.03	0.49	(0.36)	0.25	1.64	2.02	(0.07)	(0.11)	—	—	(0.18)	18.98
Dec. 31, 2012	16.23	0.52	(0.33)	0.09	0.80	1.08	(0.08)	(0.15)	(0.05)	—	(0.28)	17.03
Dec. 31, 2011	17.50	0.58	(0.33)	0.21	(1.26)	(0.80)	(0.14)	(0.08)	(0.24)	—	(0.46)	16.23
Series D												
June 30, 2016	18.47	0.12	(0.08)	0.09	0.37	0.50	—	(0.02)	—	—	(0.02)	18.95
Dec. 31, 2015	18.52	0.55	(0.17)	0.77	(0.22)	0.93	(0.08)	(0.29)	(0.64)	—	(1.01)	18.47
Dec. 31, 2014	18.73	0.50	(0.17)	2.37	(0.63)	2.07	(0.09)	(0.26)	(1.93)	—	(2.28)	18.52
Dec. 31, 2013	16.81	0.50	(0.15)	0.25	1.68	2.28	(0.14)	(0.22)	—	—	(0.36)	18.73
Dec. 31, 2012	16.01	0.51	(0.14)	0.09	0.79	1.25	(0.14)	(0.27)	(0.05)	—	(0.46)	16.81
Dec. 31, 2011	17.28	0.57	(0.14)	0.21	(1.24)	(0.60)	(0.26)	(0.16)	(0.24)	—	(0.66)	16.01
Series F												
June 30, 2016	18.46	0.12	(0.08)	0.09	0.37	0.50	—	(0.02)	—	—	(0.02)	18.94
Dec. 31, 2015	18.54	0.55	(0.17)	0.77	(0.23)	0.92	(0.08)	(0.28)	(0.67)	—	(1.03)	18.46
Dec. 31, 2014	18.74	0.50	(0.18)	2.37	(0.63)	2.06	(0.09)	(0.25)	(1.93)	—	(2.27)	18.54
Dec. 31, 2013	16.82	0.50	(0.16)	0.25	1.68	2.27	(0.14)	(0.22)	—	—	(0.36)	18.74
Dec. 31, 2012	16.03	0.52	(0.15)	0.09	0.79	1.25	(0.14)	(0.27)	(0.05)	—	(0.46)	16.82
Dec. 31, 2011	17.30	0.57	(0.15)	0.21	(1.24)	(0.61)	(0.26)	(0.16)	(0.24)	—	(0.66)	16.03
Series O												
June 30, 2016	18.26	0.12	—	0.09	0.37	0.58	—	(0.09)	—	—	(0.09)	18.75
Dec. 31, 2015	18.32	0.54	—	0.76	(0.22)	1.08	(0.12)	(0.39)	(0.65)	—	(1.16)	18.26
Dec. 31, 2014	18.54	0.50	—	2.34	(0.62)	2.22	(0.13)	(0.38)	(1.93)	—	(2.44)	18.32
Dec. 31, 2013	16.64	0.49	—	0.25	1.66	2.40	(0.20)	(0.30)	—	—	(0.50)	18.54
Dec. 31, 2012	15.86	0.51	—	0.09	0.78	1.38	(0.19)	(0.36)	(0.05)	—	(0.60)	16.64
Dec. 31, 2011	17.11	0.57	—	0.20	(1.23)	(0.46)	(0.35)	(0.21)	(0.24)	—	(0.80)	15.86

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	19.03	23 297	1 224	2.01	2.01	24.04	—
Dec. 31, 2015	18.63	24 677	1 325	2.00	2.00	17.64	0.08
Dec. 31, 2014	18.78	23 095	1 230	1.99	1.99	53.33	0.08
Dec. 31, 2013	18.97	22 353	1 178	2.00	2.00	118.83	0.11
Dec. 31, 2012	17.04	21 146	1 241	2.03	2.03	104.10	0.12
Dec. 31, 2011	16.24	21 655	1 333	2.03	2.03	108.76	0.03
Advisor Series							
June 30, 2016	19.04	6 215	326	2.01	2.01	24.04	—
Dec. 31, 2015	18.64	5 881	316	2.00	2.00	17.64	0.08
Dec. 31, 2014	18.79	3 940	210	1.99	1.99	53.33	0.08
Dec. 31, 2013	18.98	2 852	150	2.00	2.00	118.83	0.11
Dec. 31, 2012	17.04	1 676	98	2.03	2.03	104.10	0.12
Dec. 31, 2011	16.24	1 106	68	2.03	2.03	108.76	0.03
Series D							
June 30, 2016	18.95	737 732	38 932	0.88	0.88	24.04	—
Dec. 31, 2015	18.47	713 802	38 649	0.88	0.88	17.64	0.08
Dec. 31, 2014	18.52	647 200	34 942	0.88	0.88	53.33	0.08
Dec. 31, 2013	18.73	595 989	31 823	0.88	0.88	118.83	0.11
Dec. 31, 2012	16.81	590 173	35 105	0.90	0.90	104.10	0.12
Dec. 31, 2011	16.02	652 471	40 725	0.91	0.91	108.76	0.03
Series F							
June 30, 2016	18.94	9 717	513	0.92	0.92	24.04	—
Dec. 31, 2015	18.46	7 085	384	0.92	0.92	17.64	0.08
Dec. 31, 2014	18.54	9 185	495	0.91	0.91	53.33	0.08
Dec. 31, 2013	18.74	8 864	473	0.91	0.91	118.83	0.11
Dec. 31, 2012	16.82	7 821	465	0.91	0.91	104.10	0.12
Dec. 31, 2011	16.03	7 078	441	0.92	0.92	108.76	0.03
Series O							
June 30, 2016	18.75	38 983	2 080	0.04	0.04	24.04	—
Dec. 31, 2015	18.26	39 081	2 140	0.04	0.04	17.64	0.08
Dec. 31, 2014	18.32	38 910	2 124	0.04	0.04	53.33	0.08
Dec. 31, 2013	18.54	47 414	2 557	0.04	0.04	118.83	0.11
Dec. 31, 2012	16.64	40 811	2 452	0.03	0.03	104.10	0.12
Dec. 31, 2011	15.86	39 513	2 491	0.04	0.04	108.76	0.03

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	0.75%	33%	67%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

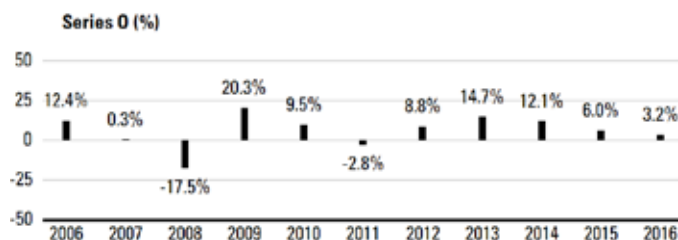
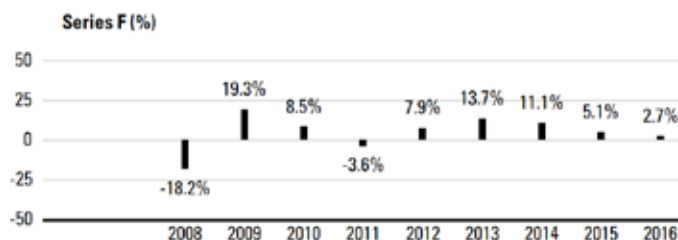
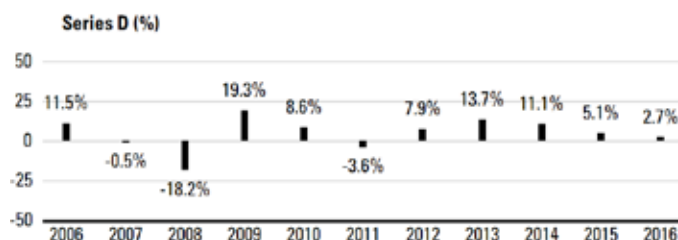
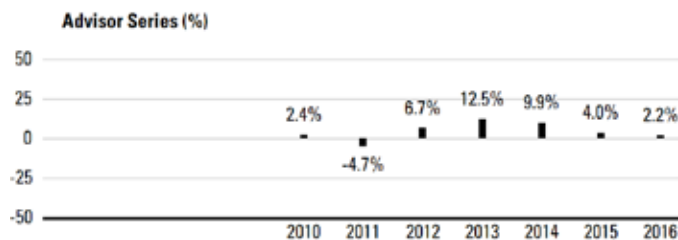
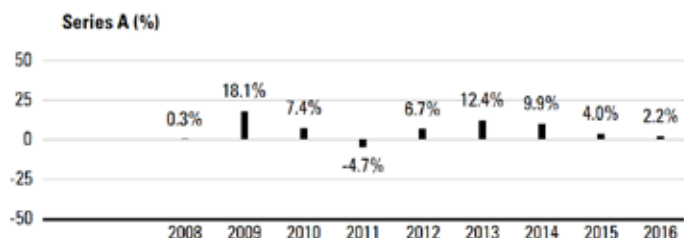
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since December 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Bonds	37.6
Canadian Equities	29.8
Global Equities	29.8
Cash/Other	2.8

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Bond Fund	35.5
Phillips, Hager & North Canadian Equity Underlying Fund	29.8
RBC Global Equity Focus Fund	19.4
RBC QUBE Global Equity Fund	6.5
RBC Emerging Markets Equity Fund	3.9
RBC High Yield Bond Fund	2.0
Cash & Cash Equivalents	1.5
Phillips, Hager & North Canadian Money Market Fund	1.4
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

BALANCED FUND

**PHILLIPS, HAGER & NORTH
COMMUNITY VALUES BALANCED FUND**

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

**PHILLIPS, HAGER & NORTH COMMUNITY
VALUES BALANCED FUND****MANAGEMENT DISCUSSION OF FUND PERFORMANCE****Investment Objective and Strategies**

The Fund seeks to provide investors with long-term capital growth and income by investing in a strategic asset mix of Canadian and foreign equities, Canadian fixed-income securities and money market instruments of companies that conduct themselves in a socially responsible manner. The Fund's asset mix is adjusted periodically to reflect changing economic and market conditions. The magnitude and timing of all rebalancing decisions within the Fund are made by a team of investment professionals who focus on determining the best asset mix in any given economic environment. To achieve the Fund's investment objective, the portfolio manager invests a significant portion or even all of the net asset value of the Fund in other funds managed by RBC GAM where the investment is consistent with the investment objectives and strategies of the Fund.

Results of Operations

The Fund's net asset value was \$66 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 3.3%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

U.S. economic growth continued to lead the world's developed markets, while growth in Japan and in much of Europe and emerging markets continued to disappoint. Signs of significantly slower global economic growth appeared early in January 2016, leading to sharp financial-market declines in the first few weeks of the year. Oil prices followed growth expectations lower and by February had touched the lowest level in more than a decade, depressed in part by a surge in supply relative to demand. Oil prices and financial markets recovered somewhat beginning in February, and the rebound continued for much of the first quarter. In the second half of the period, the debate leading up to the U.K.'s eventual decision to exit the EU ("Brexit") largely replaced growth concerns as the main driver of markets.

The Fund was overweight stocks and underweight bonds for the majority of the period which had a positive impact on performance. Government-bond yields in the U.S., Japan, Germany and Canada fell to record lows during the period amid Brexit concerns, leading to gains for investors as bond prices rose. Prices of non-government bonds also increased, with high-yield bonds performing particularly well following the oil-price rebound. The Fund's sole fixed-income holding, the Phillips, Hager & North Community Values Bond Fund, positively impacted performance.

North American equities posted gains during the period led by Canadian markets, which benefited from a rebound in commodity prices. U.S. equities had gains in the low single digits, while Brexit worries resulted in losses for markets in Europe and Asia. The Phillips, Hager & North Community Values Canadian Equity Fund had a positive impact on performance, while the Phillips, Hager & North Community Values Global Equity Fund had a negative effect.

Recent Developments

The portfolio manager's core scenario contemplates sluggish global economic growth and low inflation, and the threats to the forecast appear tilted to the downside. Negative interest rates and full-fledged quantitative-easing programs are now in force in the Eurozone and Japan, and the Bank of England may cut interest rates in response to Brexit. The U.S. Federal Reserve, meanwhile, is likely to push ahead with rate hikes, although the timing is uncertain and data-dependent. While interest rates are at unusually low levels, the path to higher yields will likely be gradual and stretched over a very long period given current and forecast economic conditions. The Fund remains modestly underweight bonds as even a small increase in yields could lead to negative total returns. The bulk of recent equity-market gains have been delivered through expanding valuations. In the view of the portfolio manager, earnings growth is now critical to keeping the bull market alive. Given continued uncertainty surrounding the effects of recent macroeconomic events, the Fund recently moved to a slight underweight position in stocks, with the remainder in cash.

Effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions***Manager and Portfolio Manager***

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**PHILLIPS, HAGER & NORTH COMMUNITY
VALUES BALANCED FUND**
Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

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Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

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- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

**PHILLIPS, HAGER & NORTH COMMUNITY
VALUES BALANCED FUND**
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total		
Series A													
June 30, 2016	14.55	0.09	(0.15)	0.02	0.40	0.36	—	—	—	—	—	14.89	
Dec. 31, 2015	14.47	0.39	(0.31)	0.65	(0.15)	0.58	(0.02)	(0.05)	(0.53)	—	(0.60)	14.55	
Dec. 31, 2014	13.98	0.43	(0.30)	1.02	0.27	1.42	(0.03)	(0.06)	(0.83)	—	(0.92)	14.47	
Dec. 31, 2013	12.48	0.36	(0.27)	0.27	1.27	1.63	—	(0.09)	(0.02)	—	(0.11)	13.98	
Dec. 31, 2012	11.81	0.34	(0.25)	0.10	0.61	0.80	—	(0.09)	(0.04)	—	(0.13)	12.48	
Dec. 31, 2011	12.77	0.35	(0.25)	0.25	(0.88)	(0.53)	(0.05)	(0.04)	(0.33)	—	(0.42)	11.81	
Advisor Series													
June 30, 2016	14.56	0.09	(0.15)	0.02	0.40	0.36	—	—	—	—	—	14.89	
Dec. 31, 2015	14.47	0.39	(0.31)	0.65	(0.15)	0.58	(0.02)	(0.05)	(0.53)	—	(0.60)	14.56	
Dec. 31, 2014	13.98	0.43	(0.30)	1.02	0.27	1.42	(0.03)	(0.06)	(0.83)	—	(0.92)	14.47	
Dec. 31, 2013	12.48	0.36	(0.27)	0.27	1.26	1.62	—	(0.09)	(0.02)	—	(0.11)	13.98	
Dec. 31, 2012	11.81	0.34	(0.25)	0.10	0.61	0.80	—	(0.09)	(0.04)	—	(0.13)	12.48	
Dec. 31, 2011	12.77	0.35	(0.25)	0.25	(0.88)	(0.53)	(0.05)	(0.04)	(0.33)	—	(0.42)	11.81	
Series D													
June 30, 2016	14.35	0.09	(0.07)	0.02	0.39	0.43	—	—	—	—	—	14.76	
Dec. 31, 2015	14.28	0.39	(0.14)	0.65	(0.15)	0.75	(0.06)	(0.19)	(0.53)	—	(0.78)	14.35	
Dec. 31, 2014	13.80	0.43	(0.14)	1.02	0.27	1.58	(0.07)	(0.18)	(0.83)	—	(1.08)	14.28	
Dec. 31, 2013	12.31	0.36	(0.12)	0.27	1.26	1.77	(0.01)	(0.23)	(0.02)	—	(0.26)	13.80	
Dec. 31, 2012	11.66	0.34	(0.12)	0.10	0.61	0.93	(0.01)	(0.22)	(0.04)	—	(0.27)	12.31	
Dec. 31, 2011	12.62	0.34	(0.12)	0.25	(0.88)	(0.41)	(0.12)	(0.10)	(0.33)	—	(0.55)	11.66	
Series F													
June 30, 2016	14.55	0.09	(0.07)	0.02	0.40	0.44	—	—	—	—	—	14.97	
Dec. 31, 2015	14.47	0.39	(0.14)	0.65	(0.15)	0.75	(0.06)	(0.18)	(0.54)	—	(0.78)	14.55	
Dec. 31, 2014	13.98	0.44	(0.14)	1.03	0.27	1.60	(0.07)	(0.19)	(0.83)	—	(1.09)	14.47	
Dec. 31, 2013	12.48	0.36	(0.12)	0.27	1.28	1.79	(0.01)	(0.24)	(0.02)	—	(0.27)	13.98	
Dec. 31, 2012	11.81	0.35	(0.11)	0.10	0.61	0.95	(0.01)	(0.22)	(0.04)	—	(0.27)	12.48	
Dec. 31, 2011	12.78	0.35	(0.12)	0.25	(0.89)	(0.41)	(0.13)	(0.10)	(0.33)	—	(0.56)	11.81	
Series O													
June 30, 2016	14.39	0.09	(0.01)	0.02	0.39	0.49	—	—	—	—	—	14.87	
Dec. 31, 2015	14.32	0.40	(0.02)	0.66	(0.15)	0.89	(0.09)	(0.27)	(0.54)	—	(0.90)	14.39	
Dec. 31, 2014	13.84	0.40	(0.02)	0.94	0.25	1.57	(0.11)	(0.26)	(0.83)	—	(1.20)	14.32	
Dec. 31, 2013	12.35	0.36	(0.02)	0.27	1.28	1.89	(0.02)	(0.33)	(0.02)	—	(0.37)	13.84	
Dec. 31, 2012	11.69	0.34	(0.02)	0.10	0.61	1.03	(0.01)	(0.32)	(0.04)	—	(0.37)	12.35	
Dec. 31, 2011	12.66	0.35	(0.02)	0.25	(0.88)	(0.30)	(0.19)	(0.14)	(0.33)	—	(0.66)	11.69	

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

**PHILLIPS, HAGER & NORTH COMMUNITY
VALUES BALANCED FUND**
FINANCIAL HIGHLIGHTS (cont.)
Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	14.89	9 021	606	2.14	2.14	22.48	—
Dec. 31, 2015	14.55	8 395	577	2.15	2.16	16.27	0.07
Dec. 31, 2014	14.47	5 335	369	2.15	2.16	13.84	0.11
Dec. 31, 2013	13.98	3 354	240	2.17	2.17	23.10	0.08
Dec. 31, 2012	12.48	2 589	208	2.18	2.18	21.43	0.12
Dec. 31, 2011	11.81	1 990	168	2.19	2.19	24.52	0.12
Advisor Series							
June 30, 2016	14.89	5 816	390	2.14	2.14	22.48	—
Dec. 31, 2015	14.56	4 500	309	2.15	2.16	16.27	0.07
Dec. 31, 2014	14.47	2 460	170	2.15	2.16	13.84	0.11
Dec. 31, 2013	13.98	1 492	107	2.17	2.17	23.10	0.08
Dec. 31, 2012	12.48	493	40	2.18	2.18	21.43	0.12
Dec. 31, 2011	11.81	204	17	2.19	2.19	24.52	0.12
Series D							
June 30, 2016	14.76	22 109	1 498	1.03	1.03	22.48	—
Dec. 31, 2015	14.35	19 596	1 366	1.03	1.04	16.27	0.07
Dec. 31, 2014	14.28	14 009	981	1.03	1.04	13.84	0.11
Dec. 31, 2013	13.80	10 670	773	1.05	1.05	23.10	0.08
Dec. 31, 2012	12.31	10 127	822	1.08	1.08	21.43	0.12
Dec. 31, 2011	11.66	10 141	870	1.08	1.08	24.52	0.12
Series F							
June 30, 2016	14.97	2 712	181	1.04	1.04	22.48	—
Dec. 31, 2015	14.55	2 153	148	1.02	1.03	16.27	0.07
Dec. 31, 2014	14.47	758	52	1.00	1.01	13.84	0.11
Dec. 31, 2013	13.98	586	42	1.02	1.02	23.10	0.08
Dec. 31, 2012	12.48	383	31	1.03	1.03	21.43	0.12
Dec. 31, 2011	11.81	508	43	1.05	1.05	24.52	0.12
Series O							
June 30, 2016	14.87	26 619	1 791	0.23	0.23	22.48	—
Dec. 31, 2015	14.39	25 897	1 799	0.22	0.23	16.27	0.07
Dec. 31, 2014	14.32	23 491	1 640	0.21	0.22	13.84	0.11
Dec. 31, 2013	13.84	526	38	0.22	0.22	23.10	0.08
Dec. 31, 2012	12.35	276	22	0.24	0.24	21.43	0.12
Dec. 31, 2011	11.69	319	27	0.25	0.25	24.52	0.12

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

**PHILLIPS, HAGER & NORTH COMMUNITY
VALUES BALANCED FUND**
FINANCIAL HIGHLIGHTS (cont.)
Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	0.75%	33%	67%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

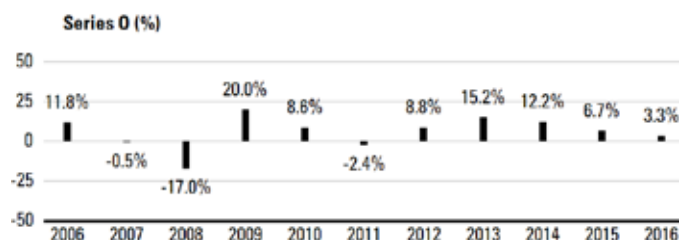
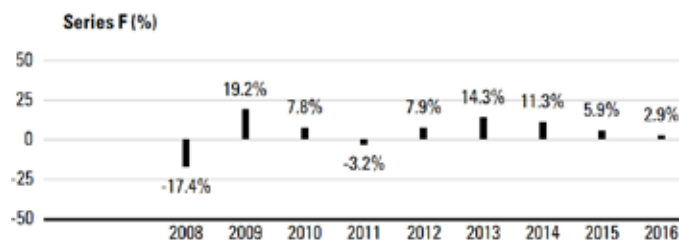
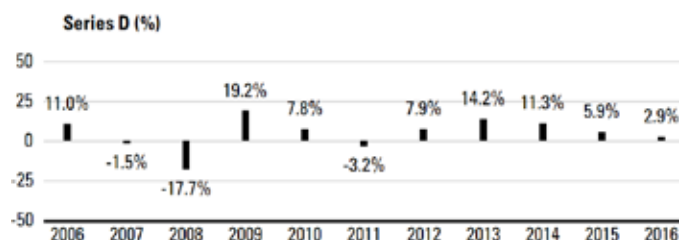
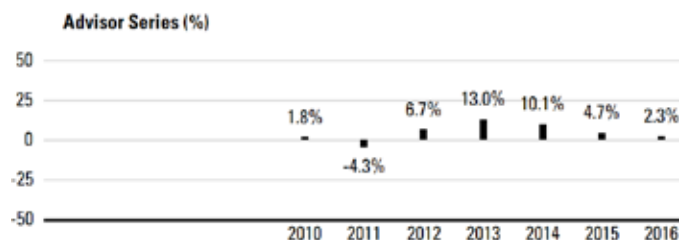
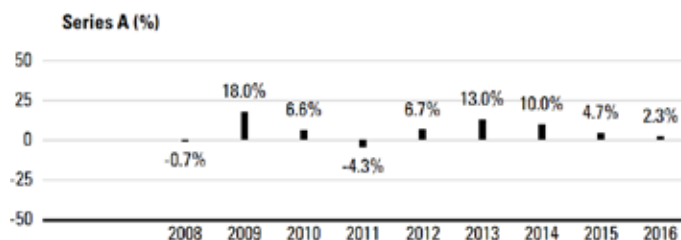
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since December 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

**PHILLIPS, HAGER & NORTH COMMUNITY
VALUES BALANCED FUND**
SUMMARY OF INVESTMENT PORTFOLIO
(after consideration of derivative products, if any)
As at June 30, 2016
Investment Mix

	% of Net Asset Value
Bonds	37.5
Canadian Equities	29.8
Global Equities	29.7
Cash/Other	3.0

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Community Values Bond Fund	37.4
Phillips, Hager & North Community Values Canadian Equity Fund	29.8
Phillips, Hager & North Community Values Global Equity Fund	29.7
Cash & Cash Equivalents	3.1
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

CANADIAN EQUITY FUND

PHILLIPS, HAGER & NORTH
DIVIDEND INCOME FUND

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth and income by investing primarily in a well-diversified portfolio of dividend income-producing Canadian securities that have a relatively high yield. The securities are selected based on their long-term earnings potential and their ability to sustain an attractive yield over the long term. To achieve the Fund's investment objective, the portfolio manager invests primarily in large-capitalization, dividend-paying Canadian common shares and, to a lesser extent, preferred shares and bonds. U.S. stocks may be held in the Fund to complement its Canadian holdings, and will typically be concentrated in industries that are not well represented in the Canadian market.

Results of Operations

The Fund's net asset value was \$2.4 billion as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 10.0%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Global equity markets experienced considerable volatility in the first half of 2016. Concerns surrounding global economic growth, especially China's economic outlook, weighed on stocks. Another round of interest-rate cuts in Japan and Europe, a further delay in rate hikes by the U.S. Federal Reserve and a steadying U.S. economy helped provide support.

Commodity prices staged a strong recovery during the period. The price of crude oil and gold, which benefited from global policy easing, rose significantly during the period. Commodity gains contributed to the Canadian market's strong performance in the first half of 2016. The U.S. market posted low-single-digit returns, aided by the oil-price surge, a pause in the U.S. dollar rally and the stabilization in Chinese economic data.

The best relative-performing sectors in the Fund were Health Care, Information Technology and Utilities. The Financials, Industrials and Materials sectors underperformed.

The Fund benefited from positions in ATCO, Bonterra Energy and Milestone Apartments REIT. The portfolio manager's decision not to invest in Alimentation Couche-Tard and Cameco contributed to performance.

Investments that were added to the portfolio included Brookfield Business LP, the result of a spin-off; Cott; Enbridge Income Fund; Enercare; Franco-Nevada; Open Text; Stantec; and Waste Connections. Eliminated from the Fund were positions in Barrick Gold; Boardwalk REIT; Canexus; Encana; Husky Energy; National Bank of Canada; and Pengrowth Energy.

Recent Developments

Equity markets continue to be attractively priced relative to their long-term history. The bulk of equity gains in recent months have been delivered through expanding valuations as investors are willing to pay a premium for the growth and yield of equity markets in an environment of low interest rates, low inflation and stimulative monetary policy. Modest global growth, coupled with stability in commodities, should, in the view of the portfolio manager, allow equities to again provide moderate total returns.

Effective June 30, 2016, management fees were reduced as follows: from 1.75% to 1.60% for Series C and Advisor Series units; from 1.00% to 0.85% for Series D units; and from 0.75% to 0.60% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$29,000 (2015 – \$23,000), or 7% (2015 – 12%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series A												
June 30, 2016	87.03	1.78	(0.91)	(0.18)	6.98	7.67	—	(0.76)	—	—	(0.76)	94.01
Dec. 31, 2015	97.40	3.50	(1.91)	2.06	(12.47)	(8.82)	—	(1.45)	—	—	(1.45)	87.03
Dec. 31, 2014	90.69	3.23	(1.96)	3.05	3.99	8.31	—	(1.17)	(0.31)	—	(1.48)	97.40
Dec. 31, 2013	79.60	2.88	(1.71)	1.37	9.57	12.11	—	(1.06)	—	—	(1.06)	90.66
Dec. 31, 2012	73.98	2.57	(1.58)	2.69	3.87	7.55	—	(0.73)	(1.21)	—	(1.94)	79.60
Dec. 31, 2011	78.50	2.44	(1.52)	3.22	(6.72)	(2.58)	—	(0.33)	(1.44)	—	(1.77)	73.98
Advisor Series												
June 30, 2016	87.06	1.78	(0.91)	(0.18)	6.98	7.67	—	(0.76)	—	—	(0.76)	94.04
Dec. 31, 2015	97.42	3.50	(1.91)	2.07	(12.48)	(8.82)	—	(1.44)	—	—	(1.44)	87.06
Dec. 31, 2014	90.70	3.23	(1.96)	3.05	3.99	8.31	—	(1.17)	(0.31)	—	(1.48)	97.42
Dec. 31, 2013	79.60	2.88	(1.74)	1.36	9.55	12.05	—	(1.06)	—	—	(1.06)	90.68
Dec. 31, 2012	73.98	2.57	(1.58)	2.69	3.87	7.55	—	(0.73)	(1.21)	—	(1.94)	79.60
Dec. 31, 2011	78.50	2.44	(1.52)	3.22	(6.72)	(2.58)	—	(0.33)	(1.44)	—	(1.77)	73.98
Series D												
June 30, 2016	86.24	1.76	(0.51)	(0.18)	6.92	7.99	—	(1.15)	—	—	(1.15)	93.15
Dec. 31, 2015	96.54	3.47	(1.08)	2.05	(12.37)	(7.93)	—	(2.25)	—	—	(2.25)	86.24
Dec. 31, 2014	89.87	3.20	(1.11)	3.02	3.95	9.06	—	(1.98)	(0.31)	—	(2.29)	96.54
Dec. 31, 2013	78.85	2.85	(0.97)	1.36	9.49	12.73	—	(1.75)	—	—	(1.75)	89.85
Dec. 31, 2012	73.30	2.55	(0.90)	2.67	3.84	8.16	—	(1.41)	(1.21)	—	(2.62)	78.85
Dec. 31, 2011	77.79	2.41	(0.86)	3.19	(6.65)	(1.91)	—	(1.02)	(1.43)	—	(2.45)	73.30
Series F												
June 30, 2016	86.92	1.78	(0.41)	(0.18)	6.97	8.16	—	(1.27)	—	—	(1.27)	93.88
Dec. 31, 2015	97.28	3.50	(0.87)	2.07	(12.48)	(7.78)	—	(2.46)	—	—	(2.46)	86.92
Dec. 31, 2014	90.51	3.23	(0.89)	3.05	3.98	9.37	—	(2.17)	(0.31)	—	(2.48)	97.28
Dec. 31, 2013	79.40	2.87	(0.78)	1.37	9.56	13.02	—	(1.95)	—	—	(1.95)	90.48
Dec. 31, 2012	73.81	2.57	(0.73)	2.69	3.86	8.39	—	(1.60)	(1.21)	—	(2.81)	79.40
Dec. 31, 2011	78.36	2.43	(0.70)	3.22	(6.70)	(1.75)	—	(1.21)	(1.46)	—	(2.67)	73.81
Series O												
June 30, 2016	84.92	1.74	(0.01)	(0.18)	6.82	8.37	—	(1.65)	—	—	(1.65)	91.71
Dec. 31, 2015	95.08	3.42	(0.02)	2.02	(12.19)	(6.77)	—	(3.25)	—	—	(3.25)	84.92
Dec. 31, 2014	88.43	3.15	(0.02)	2.97	3.89	9.99	—	(2.93)	(0.31)	—	(3.24)	95.08
Dec. 31, 2013	77.50	2.81	(0.02)	1.34	9.35	13.48	—	(2.58)	—	—	(2.58)	88.40
Dec. 31, 2012	72.01	2.51	(0.02)	2.63	3.78	8.90	—	(2.23)	(1.18)	—	(3.41)	77.50
Dec. 31, 2011	76.37	2.37	(0.02)	3.14	(6.54)	(1.05)	—	(1.81)	(1.41)	—	(3.22)	72.01

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	94.01	61 857	658	2.03⁴	2.03	9.58	0.04
Dec. 31, 2015	87.03	59 220	680	2.03	2.03	5.28	0.01
Dec. 31, 2014	97.40	72 740	747	2.03	2.03	12.85	0.02
Dec. 31, 2013	90.69	71 435	788	2.03	2.03	13.49	0.02
Dec. 31, 2012	79.73	65 023	816	2.05	2.05	17.02	0.03
Dec. 31, 2011	74.09	58 549	790	2.05	2.05	25.12	0.04
Advisor Series							
June 30, 2016	94.04	7 005	74	2.03⁴	2.03	9.58	0.04
Dec. 31, 2015	87.06	6 470	74	2.03	2.03	5.28	0.01
Dec. 31, 2014	97.42	7 596	78	2.03	2.03	12.85	0.02
Dec. 31, 2013	90.70	7 258	80	2.03	2.03	13.49	0.02
Dec. 31, 2012	79.73	4 886	61	2.05	2.05	17.02	0.03
Dec. 31, 2011	74.09	2 553	34	2.05	2.05	25.12	0.04
Series D							
June 30, 2016	93.15	1 566 201	16 813	1.15⁴	1.15	9.58	0.04
Dec. 31, 2015	86.24	1 498 563	17 377	1.16	1.16	5.28	0.01
Dec. 31, 2014	96.54	1 801 970	18 665	1.16	1.16	12.85	0.02
Dec. 31, 2013	89.87	1 780 315	19 809	1.16	1.16	13.49	0.02
Dec. 31, 2012	78.98	1 765 567	22 355	1.18	1.18	17.02	0.03
Dec. 31, 2011	73.41	1 805 881	24 600	1.18	1.18	25.12	0.04
Series F							
June 30, 2016	93.88	38 288	408	0.93⁴	0.93	9.58	0.04
Dec. 31, 2015	86.92	32 131	370	0.93	0.93	5.28	0.01
Dec. 31, 2014	97.28	29 891	307	0.92	0.92	12.85	0.02
Dec. 31, 2013	90.51	25 654	283	0.93	0.93	13.49	0.02
Dec. 31, 2012	79.53	21 181	266	0.94	0.94	17.02	0.03
Dec. 31, 2011	73.92	26 270	355	0.94	0.94	25.12	0.04
Series O							
June 30, 2016	91.71	702 844	7 664	0.02	0.02	9.58	0.04
Dec. 31, 2015	84.92	667 635	7 862	0.02	0.02	5.28	0.01
Dec. 31, 2014	95.08	771 709	8 117	0.02	0.02	12.85	0.02
Dec. 31, 2013	88.43	760 069	8 596	0.02	0.02	13.49	0.02
Dec. 31, 2012	77.63	525 399	6 768	0.02	0.02	17.02	0.03
Dec. 31, 2011	72.12	416 612	5 777	0.02	0.02	25.12	0.04

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.87%, Advisor Series – 1.87%, Series D – 0.99% and Series F – 0.76%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

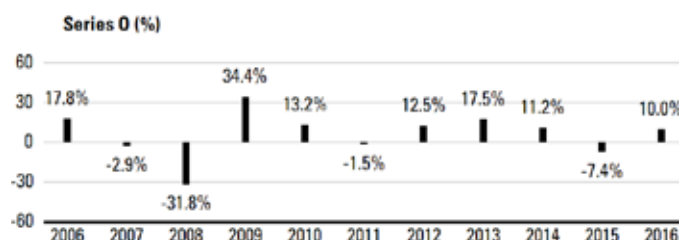
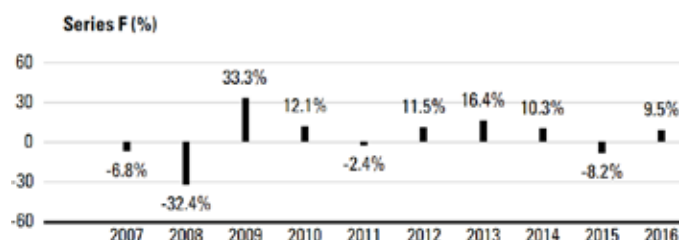
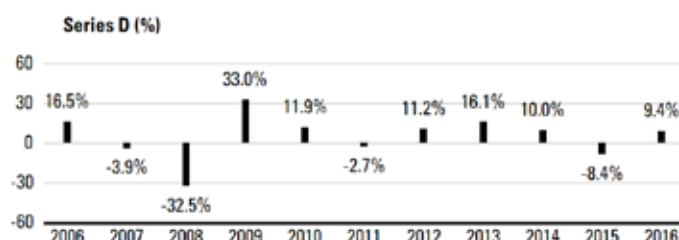
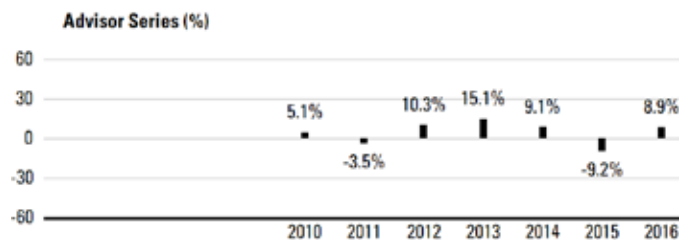
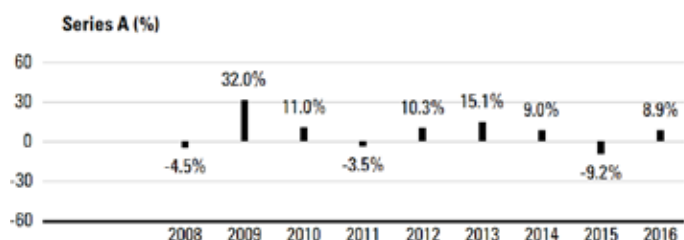
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Financials	44.7
Energy	19.2
Utilities	6.9
Industrials	6.9
Telecommunication Services	5.7
Consumer Discretionary	5.1
Materials	4.8
Consumer Staples	3.0
Information Technology	0.5
Health Care	0.5
Convertible Bonds	0.3
Cash/Other	2.4

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	7.9
Toronto-Dominion Bank	7.5
Bank of Nova Scotia	5.1
Canadian National Railway Co.	4.2
Brookfield Asset Management Inc., Class A	3.9
Bank of Montreal	3.7
Enbridge Inc.	3.6
Suncor Energy Inc.	3.1
Canadian Imperial Bank of Commerce	2.8
TransCanada Corp.	2.7
BCE Inc.	2.7
Manulife Financial Corporation	2.6
Cash & Cash Equivalents	2.2
Canadian Natural Resources Ltd.	2.0
Loblaw Companies Ltd.	1.9
Sun Life Financial Inc.	1.9
TELUS Corp.	1.8
Magna International Inc., Class A	1.5
Intact Financial Corp.	1.4
Goldcorp Inc.	1.3
Rogers Communications Inc., Class B	1.2
Atco Ltd., Class I, Non-Voting	1.2
Power Corporation of Canada	1.2
Brookfield Infrastructure Partners LP	1.1
Thomson Corp.	1.1
Top 25 Holdings	69.6

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY FUND***June 30, 2016***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth by investing primarily in a well-diversified portfolio of common shares of Canadian companies. To achieve the Fund's investment objective, the portfolio manager invests in companies that they believe have a superior management team, a leadership position in their industry, a high level of profitability compared to their peers, strong earnings potential and a reasonable valuation.

Results of Operations

The Fund's net asset value was \$1.1 billion as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 9.8%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Canadian stocks began the year with significant declines as prices for oil and some other commodities fell to multi-year lows. However, the Canadian equity market rebounded beginning in February along with a recovery in oil and gold prices and finished the period in positive territory.

Energy was the Fund's best-performing sector during the period, due primarily to strong security selection. Stocks of companies that explore for and produce oil and gas led the sector higher. The Fund's overweight positions in Seven Generations, ARC Resources and Crescent Point Energy contributed to relative performance. A relative lack of exposure to the poorly performing Health Care sector also aided returns.

The Fund's relative lack of exposure to surging gold stocks was negative for the Fund's relative performance. An underweight position in Barrick Gold in the portfolio and the absence of Yamana Gold, two large-cap gold companies, held back returns.

Recent Developments

Slow economic growth and heightened levels of uncertainty are creating a challenging environment for investors. While the overall backdrop seems slightly less murky than a quarter ago, the list of threats to the economy and capital markets remains extensive and clustered to the downside. Profit growth has yet to recover, although there are signs that earnings may now be stabilizing, and the geopolitical and financial risks on the horizon are varied. Most prominent of late was the U.K. vote to leave the EU. The main risks associated with the decision come from transmission via financial conditions in the near term and political developments in the long term. Globally, the prospect of better growth over the second half of 2016 and into 2017 now appears much less certain.

Effective June 30, 2016, management fees were reduced as follows: from 1.75% to 1.60% for Series C and Advisor Series units; from 1.00% to 0.85% for Series D units; and from 0.75% to 0.60% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$49,000 (2015 – \$18,000), or 12% (2015 – 5%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total		
Series A													
June 30, 2016	84.33	1.27	(0.87)	(1.12)	8.00	7.28	—	—	—	—	—	91.65	
Dec. 31, 2015	94.27	2.63	(1.90)	1.39	(10.12)	(8.00)	—	(0.75)	(1.01)	—	(1.76)	84.33	
Dec. 31, 2014	91.45	2.47	(2.00)	9.07	0.14	9.68	—	(0.60)	(5.75)	—	(6.35)	94.27	
Dec. 31, 2013	77.99	2.16	(1.67)	2.51	10.72	13.72	—	(0.45)	—	—	(0.45)	91.42	
Dec. 31, 2012	72.72	1.98	(1.52)	1.14	4.14	5.74	—	(0.51)	—	—	(0.51)	77.99	
Dec. 31, 2011	85.81	2.17	(1.60)	2.27	(12.74)	(9.90)	—	(0.07)	(2.80)	—	(2.87)	72.72	
Advisor Series													
June 30, 2016	84.36	1.27	(0.87)	(1.12)	8.01	7.29	—	—	—	—	—	91.69	
Dec. 31, 2015	94.29	2.63	(1.90)	1.39	(10.11)	(7.99)	—	(0.75)	(1.01)	—	(1.76)	84.36	
Dec. 31, 2014	91.46	2.48	(2.01)	9.10	0.14	9.71	—	(0.60)	(5.75)	—	(6.35)	94.29	
Dec. 31, 2013	77.99	2.15	(1.73)	2.49	10.70	13.61	—	(0.45)	—	—	(0.45)	91.43	
Dec. 31, 2012	72.72	1.98	(1.52)	1.14	4.14	5.74	—	(0.51)	—	—	(0.51)	77.99	
Dec. 31, 2011	85.81	2.17	(1.60)	2.27	(12.74)	(9.90)	—	(0.07)	(2.80)	—	(2.87)	72.72	
Series D													
June 30, 2016	81.84	1.23	(0.48)	(1.09)	7.78	7.44	—	—	—	—	—	89.32	
Dec. 31, 2015	91.51	2.56	(1.05)	1.35	(9.85)	(6.99)	—	(1.48)	(0.99)	—	(2.47)	81.84	
Dec. 31, 2014	88.91	2.41	(1.11)	8.84	0.13	10.27	—	(1.41)	(5.75)	—	(7.16)	91.51	
Dec. 31, 2013	75.83	2.10	(0.93)	2.44	10.44	14.05	—	(1.20)	—	—	(1.20)	88.89	
Dec. 31, 2012	70.70	1.93	(0.86)	1.11	4.02	6.20	—	(1.14)	—	—	(1.14)	75.83	
Dec. 31, 2011	84.22	2.13	(0.91)	2.23	(12.50)	(9.05)	—	(1.29)	(2.82)	—	(4.11)	70.70	
Series F													
June 30, 2016	83.52	1.26	(0.39)	(1.11)	7.94	7.70	—	—	—	—	—	91.26	
Dec. 31, 2015	93.41	2.61	(0.86)	1.38	(10.07)	(6.94)	—	(1.71)	(1.01)	—	(2.72)	83.52	
Dec. 31, 2014	90.62	2.46	(0.91)	9.03	0.13	10.71	—	(1.63)	(5.75)	—	(7.38)	93.41	
Dec. 31, 2013	77.29	2.15	(0.77)	2.50	10.69	14.57	—	(1.42)	—	—	(1.42)	90.60	
Dec. 31, 2012	72.07	1.97	(0.70)	1.13	4.11	6.51	—	(1.36)	—	—	(1.36)	77.29	
Dec. 31, 2011	85.79	2.18	(0.74)	2.27	(12.75)	(9.04)	—	(1.49)	(2.83)	—	(4.32)	72.07	
Series O													
June 30, 2016	81.34	1.23	(0.01)	(1.08)	7.74	7.88	—	—	—	—	—	89.28	
Dec. 31, 2015	91.06	2.56	(0.02)	1.35	(9.85)	(5.96)	—	(2.47)	(1.02)	—	(3.49)	81.34	
Dec. 31, 2014	88.46	2.41	(0.02)	8.82	0.13	11.34	—	(2.45)	(5.75)	—	(8.20)	91.06	
Dec. 31, 2013	75.45	2.10	(0.02)	2.45	10.47	15.00	—	(2.19)	—	—	(2.19)	88.43	
Dec. 31, 2012	70.36	1.93	(0.02)	1.11	4.03	7.05	—	(2.04)	—	—	(2.04)	75.45	
Dec. 31, 2011	83.87	2.13	(0.02)	2.23	(12.49)	(8.15)	—	(2.16)	(2.83)	—	(4.99)	70.36	

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	91.65	19 886	217	2.02⁴	2.02	31.21	0.08
Dec. 31, 2015	84.33	18 743	222	2.02	2.02	26.84	0.07
Dec. 31, 2014	94.27	14 195	151	2.02	2.02	31.71	0.09
Dec. 31, 2013	91.45	12 632	138	2.02	2.02	21.73	0.08
Dec. 31, 2012	78.11	13 022	167	2.04	2.04	39.99	0.16
Dec. 31, 2011	72.83	11 586	159	2.03	2.03	58.64	0.14
Advisor Series							
June 30, 2016	91.69	1 241	14	2.02⁴	2.02	31.21	0.08
Dec. 31, 2015	84.36	1 087	13	2.02	2.02	26.84	0.07
Dec. 31, 2014	94.29	1 445	15	2.02	2.02	31.71	0.09
Dec. 31, 2013	91.46	983	11	2.02	2.02	21.73	0.08
Dec. 31, 2012	78.11	405	5	2.04	2.04	39.99	0.16
Dec. 31, 2011	72.83	379	5	2.03	2.03	58.64	0.14
Series D							
June 30, 2016	89.32	472 757	5 293	1.15⁴	1.15	31.21	0.08
Dec. 31, 2015	81.84	448 506	5 480	1.15	1.15	26.84	0.07
Dec. 31, 2014	91.51	532 249	5 816	1.15	1.15	31.71	0.09
Dec. 31, 2013	88.91	521 091	5 861	1.15	1.15	21.73	0.08
Dec. 31, 2012	75.94	576 966	7 597	1.18	1.18	39.99	0.16
Dec. 31, 2011	70.81	679 886	9 602	1.18	1.18	58.64	0.14
Series F							
June 30, 2016	91.26	8 881	97	0.92⁴	0.92	31.21	0.08
Dec. 31, 2015	83.52	7 583	91	0.92	0.92	26.84	0.07
Dec. 31, 2014	93.41	7 413	79	0.92	0.92	31.71	0.09
Dec. 31, 2013	90.62	6 369	70	0.93	0.93	21.73	0.08
Dec. 31, 2012	77.40	5 747	74	0.94	0.94	39.99	0.16
Dec. 31, 2011	72.18	5 480	76	0.94	0.94	58.64	0.14
Series O							
June 30, 2016	89.28	584 214	6 544	0.02	0.02	31.21	0.08
Dec. 31, 2015	81.34	565 810	6 956	0.02	0.02	26.84	0.07
Dec. 31, 2014	91.06	635 688	6 981	0.02	0.02	31.71	0.09
Dec. 31, 2013	88.46	698 439	7 896	0.02	0.02	21.73	0.08
Dec. 31, 2012	75.56	640 593	8 478	0.02	0.02	39.99	0.16
Dec. 31, 2011	70.47	666 585	9 459	0.02	0.02	58.64	0.14

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.86%, Advisor Series – 1.86%, Series D – 0.98% and Series F – 0.76%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

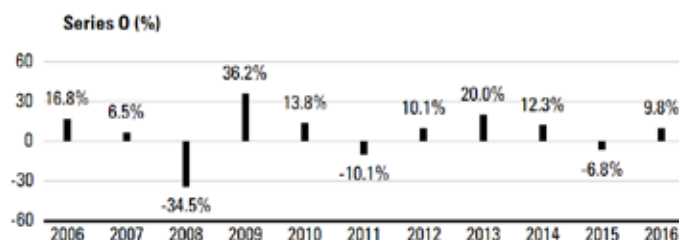
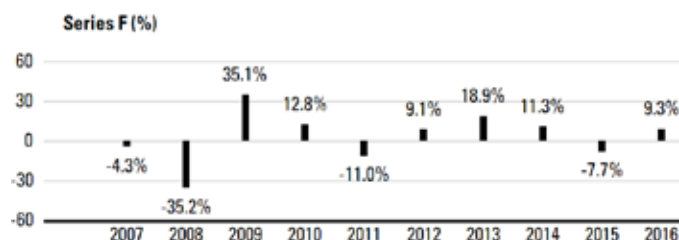
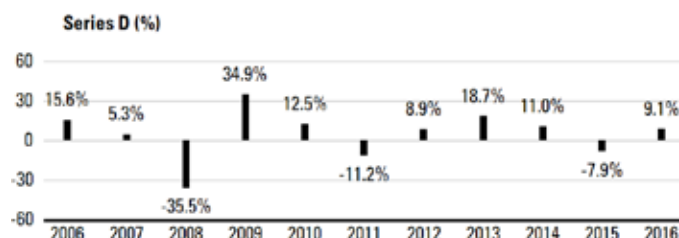
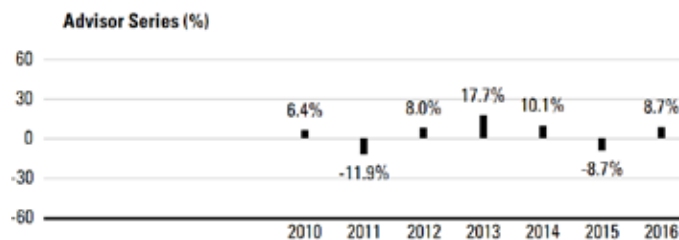
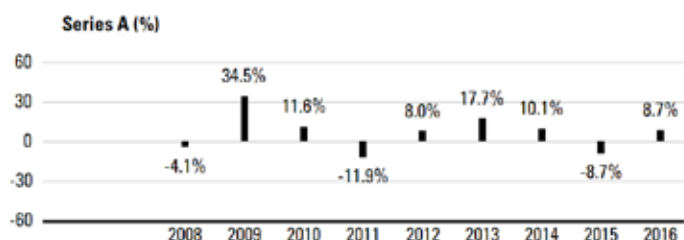
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Financials	37.6
Energy	23.2
Materials	10.0
Consumer Discretionary	8.8
Industrials	8.2
Consumer Staples	3.3
Information Technology	3.0
Telecommunication Services	3.0
Utilities	1.4
Cash/Other	1.5

Top 25 Holdings

	% of Net Asset Value
Phillips, Hager & North Small Float Fund	13.2
Royal Bank of Canada	8.1
Toronto-Dominion Bank	7.4
Bank of Nova Scotia	5.3
Enbridge Inc.	4.3
Brookfield Asset Management Inc., Class A	3.9
Manulife Financial Corporation	3.7
Canadian National Railway Co.	2.7
Canadian Natural Resources Ltd.	2.7
Suncor Energy Inc.	2.4
Alimentation Couche-Tard Inc.	2.4
Pembina Pipeline Corp.	2.1
Tourmaline Oil Corp.	1.9
PrairieSky Royalty Ltd.	1.8
TELUS Corp.	1.6
CGI Group Inc., Class A	1.5
Rogers Communications Inc., Class B	1.4
ARC Resources Ltd.	1.4
National Bank of Canada	1.4
Cash & Cash Equivalents	1.4
Bank of Montreal	1.4
TransCanada Corp., Subscription Receipts	1.2
Thomson Corp.	1.2
Gildan Activewear Inc., Class A	1.2
Agnico Eagle Mines Ltd.	1.2
Top 25 Holdings	76.8

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
 COMMUNITY VALUES CANADIAN
 EQUITY FUND**

 June 30, 2016

Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks to provide investors with long-term capital growth by investing primarily in common shares of high-quality Canadian companies. The portfolio manager's intention is that only the securities of companies that conduct themselves in a socially responsible manner will be included in the portfolio. To achieve the Fund's investment objective, the portfolio manager invests in companies that they believe have a superior management team, a leadership position in their industry, a high level of profitability compared to their peers, and strong earnings potential.

Results of Operations

The Fund's net asset value was \$81 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 11.1%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Canadian stocks began the year with significant declines as prices for oil and some other commodities fell to multi-year lows. However, the Canadian equity market rebounded beginning in February along with a recovery in oil and gold prices and finished the period in positive territory.

A relative lack of exposure to the poorly performing Health Care sector had the most significant positive impact on the Fund's returns. The decision to not hold Valeant stock was especially positive. Energy was the Fund's second-best-performing sector during the period, due primarily to strong security selection. Stocks of companies that explore for and produce oil and gas led the sector higher. The Fund's overweight positions in Seven Generations, ARC Resources and Crescent Point Energy contributed to relative performance.

The Fund's relative lack of exposure to surging gold stocks was negative for the Fund's relative performance. The absence in the portfolio of Barrick Gold and Yamana Gold, two large-cap gold companies, held back returns.

Recent Developments

Slow economic growth and heightened levels of uncertainty are creating a challenging environment for investors. While the overall backdrop seems slightly less murky than a quarter ago, the list of threats to the economy and capital markets remains extensive and clustered to the downside. Profit growth has yet to recover, although there are signs that earnings may now be stabilizing, and the geopolitical and financial risks on the horizon are varied. Most prominent of late was the U.K. vote to leave the EU. The main risks associated with the decision come from transmission via financial

conditions in the near term and political developments in the long term. Globally, the prospect of better growth over the second half of 2016 and into 2017 now appears much less certain.

Effective June 30, 2016, management fees were reduced as follows: from 1.75% to 1.60% for Series C and Advisor Series units; from 1.00% to 0.85% for Series D units; and from 0.75% to 0.60% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions***Manager and Portfolio Manager***

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund.

RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage arrangements at market rates with related-party dealers. These related-party commissions were \$4,000 (2015 – \$1,000), or 10% (2015 – 3%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total		
Series A													
June 30, 2016	21.68	0.36	(0.23)	(0.01)	2.12	2.24	—	—	—	—	—	23.86	
Dec. 31, 2015	24.44	0.69	(0.50)	0.44	(2.66)	(2.03)	—	(0.14)	(0.60)	—	(0.74)	21.68	
Dec. 31, 2014	23.49	0.67	(0.52)	1.84	0.41	2.40	—	(0.12)	(1.24)	—	(1.36)	24.44	
Dec. 31, 2013	19.80	0.60	(0.44)	0.71	3.00	3.87	—	(0.14)	—	—	(0.14)	23.48	
Dec. 31, 2012	18.20	0.54	(0.39)	(0.16)	1.89	1.88	—	(0.15)	—	—	(0.15)	19.80	
Dec. 31, 2011	20.46	0.54	(0.39)	0.79	(3.06)	(2.12)	—	(0.07)	(0.17)	—	(0.24)	18.20	
Advisor Series													
June 30, 2016	21.69	0.36	(0.23)	(0.01)	2.12	2.24	—	—	—	—	—	23.87	
Dec. 31, 2015	24.43	0.68	(0.50)	0.44	(2.65)	(2.03)	—	(0.13)	(0.59)	—	(0.72)	21.69	
Dec. 31, 2014	23.49	0.67	(0.52)	1.83	0.41	2.39	—	(0.12)	(1.24)	—	(1.36)	24.43	
Dec. 31, 2013	19.80	0.60	(0.45)	0.71	3.00	3.86	—	(0.14)	—	—	(0.14)	23.48	
Dec. 31, 2012	18.20	0.54	(0.39)	(0.16)	1.89	1.88	—	(0.15)	—	—	(0.15)	19.80	
Dec. 31, 2011	20.46	0.54	(0.39)	0.79	(3.06)	(2.12)	—	(0.07)	(0.17)	—	(0.24)	18.20	
Series D													
June 30, 2016	21.54	0.35	(0.13)	(0.01)	2.11	2.32	—	—	—	—	—	23.80	
Dec. 31, 2015	24.27	0.68	(0.29)	0.44	(2.66)	(1.83)	—	(0.33)	(0.59)	—	(0.92)	21.54	
Dec. 31, 2014	23.34	0.67	(0.30)	1.83	0.41	2.61	—	(0.33)	(1.24)	—	(1.57)	24.27	
Dec. 31, 2013	19.67	0.59	(0.26)	0.71	2.99	4.03	—	(0.33)	—	—	(0.33)	23.33	
Dec. 31, 2012	18.08	0.54	(0.23)	(0.16)	1.88	2.03	—	(0.31)	—	—	(0.31)	19.67	
Dec. 31, 2011	20.33	0.54	(0.23)	0.79	(3.06)	(1.96)	—	(0.21)	(0.17)	—	(0.38)	18.08	
Series F													
June 30, 2016	21.83	0.36	(0.11)	(0.01)	2.14	2.38	—	—	—	—	—	24.16	
Dec. 31, 2015	24.60	0.69	(0.23)	0.45	(2.69)	(1.78)	—	(0.40)	(0.60)	—	(1.00)	21.83	
Dec. 31, 2014	23.64	0.68	(0.24)	1.86	0.42	2.72	—	(0.40)	(1.24)	—	(1.64)	24.60	
Dec. 31, 2013	19.93	0.61	(0.20)	0.73	3.05	4.19	—	(0.40)	—	—	(0.40)	23.63	
Dec. 31, 2012	18.31	0.55	(0.18)	(0.16)	1.91	2.12	—	(0.37)	—	—	(0.37)	19.93	
Dec. 31, 2011	20.58	0.54	(0.18)	0.80	(3.08)	(1.92)	—	(0.26)	(0.17)	—	(0.43)	18.31	
Series O													
June 30, 2016	21.65	0.36	(0.01)	(0.01)	2.12	2.46	—	—	—	—	—	24.05	
Dec. 31, 2015	24.42	0.69	(0.03)	0.45	(2.68)	(1.57)	—	(0.59)	(0.60)	—	(1.19)	21.65	
Dec. 31, 2014	23.46	0.68	(0.03)	1.85	0.42	2.92	—	(0.61)	(1.24)	—	(1.85)	24.42	
Dec. 31, 2013	19.78	0.60	(0.02)	0.72	3.01	4.31	—	(0.59)	—	—	(0.59)	23.45	
Dec. 31, 2012	18.18	0.54	(0.02)	(0.16)	1.90	2.26	—	(0.54)	—	—	(0.54)	19.78	
Dec. 31, 2011	20.44	0.54	(0.02)	0.79	(3.07)	(1.76)	—	(0.41)	(0.17)	—	(0.58)	18.18	

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	23.86	1 290	54	2.05⁴	2.05	47.39	0.11
Dec. 31, 2015	21.68	1 295	60	2.06	2.06	39.83	0.09
Dec. 31, 2014	24.44	1 218	50	2.06	2.06	38.22	0.08
Dec. 31, 2013	23.49	1 092	46	2.06	2.06	31.14	0.09
Dec. 31, 2012	19.84	921	46	2.05	2.05	44.66	0.16
Dec. 31, 2011	18.23	911	50	2.02	2.02	73.06	0.22
Advisor Series							
June 30, 2016	23.87	1 353	57	2.05⁴	2.05	47.39	0.11
Dec. 31, 2015	21.69	1 104	51	2.06	2.06	39.83	0.09
Dec. 31, 2014	24.43	706	29	2.06	2.06	38.22	0.08
Dec. 31, 2013	23.49	451	19	2.06	2.06	31.14	0.09
Dec. 31, 2012	19.84	113	6	2.05	2.05	44.66	0.16
Dec. 31, 2011	18.23	62	3	2.02	2.02	73.06	0.22
Series D							
June 30, 2016	23.80	20 553	863	1.20⁴	1.20	47.39	0.11
Dec. 31, 2015	21.54	18 769	871	1.20	1.20	39.83	0.09
Dec. 31, 2014	24.27	20 215	833	1.20	1.20	38.22	0.08
Dec. 31, 2013	23.34	18 305	784	1.21	1.21	31.14	0.09
Dec. 31, 2012	19.71	17 966	911	1.22	1.22	44.66	0.16
Dec. 31, 2011	18.12	18 880	1 042	1.22	1.22	73.06	0.22
Series F							
June 30, 2016	24.16	1 216	50	0.93⁴	0.93	47.39	0.11
Dec. 31, 2015	21.83	898	41	0.93	0.93	39.83	0.09
Dec. 31, 2014	24.60	738	30	0.94	0.94	38.22	0.08
Dec. 31, 2013	23.64	595	25	0.95	0.95	31.14	0.09
Dec. 31, 2012	19.97	409	21	0.94	0.94	44.66	0.16
Dec. 31, 2011	18.35	327	18	0.93	0.93	73.06	0.22
Series O							
June 30, 2016	24.05	56 700	2 358	0.11	0.11	47.39	0.11
Dec. 31, 2015	21.65	51 319	2 371	0.11	0.11	39.83	0.09
Dec. 31, 2014	24.42	50 035	2 049	0.11	0.11	38.22	0.08
Dec. 31, 2013	23.46	38 539	1 642	0.12	0.12	31.14	0.09
Dec. 31, 2012	19.82	37 752	1 905	0.12	0.12	44.66	0.16
Dec. 31, 2011	18.22	42 105	2 311	0.12	0.12	73.06	0.22

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.88%, Advisor Series – 1.88%, Series D – 1.03% and Series F – 0.77%.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

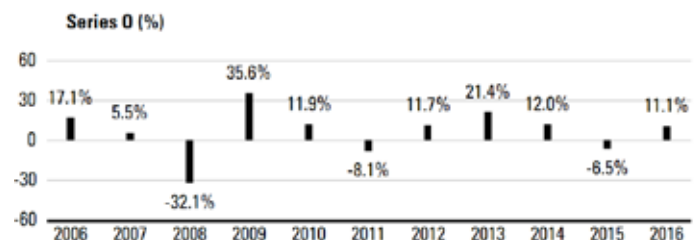
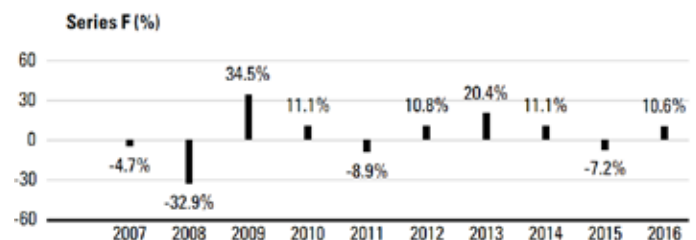
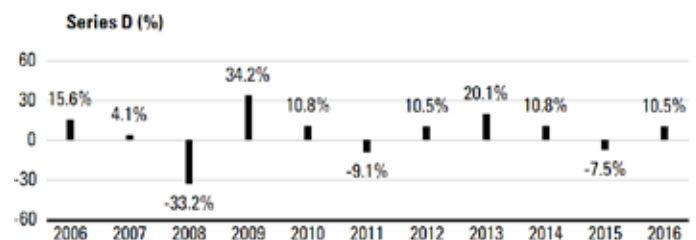
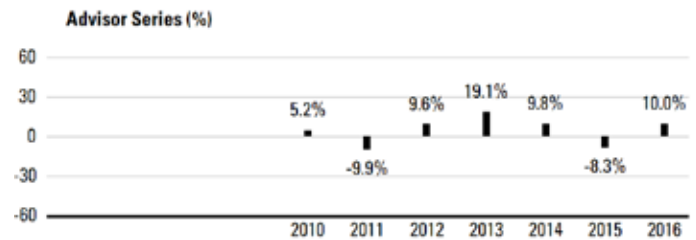
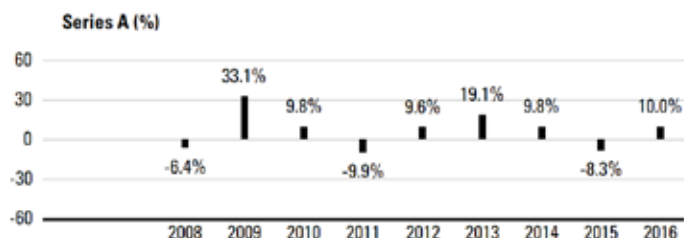
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**
SUMMARY OF INVESTMENT PORTFOLIO
(after consideration of derivative products, if any)
As at June 30, 2016
Investment Mix

	% of Net Asset Value
Financials	39.4
Energy	20.4
Materials	9.7
Consumer Discretionary	9.6
Industrials	8.7
Information Technology	3.6
Telecommunication Services	3.3
Utilities	2.0
Consumer Staples	1.2
Cash/Other	2.1

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	8.1
Toronto-Dominion Bank	7.4
Bank of Nova Scotia	5.3
Brookfield Asset Management Inc., Class A	4.1
Manulife Financial Corporation	3.8
Canadian Natural Resources Ltd.	2.8
Canadian National Railway Co.	2.7
Pembina Pipeline Corp.	2.5
Suncor Energy Inc.	2.4
Tourmaline Oil Corp.	2.0
Cash & Cash Equivalents	1.9
PrairieSky Royalty Ltd.	1.9
CGI Group Inc., Class A	1.8
TELUS Corp.	1.8
Gildan Activewear Inc., Class A	1.5
ARC Resources Ltd.	1.5
Rogers Communications Inc., Class B	1.5
Goldcorp Inc.	1.5
National Bank of Canada	1.5
Thomson Corp.	1.4
Bank of Montreal	1.4
Agnico Eagle Mines Ltd.	1.4
Dollarama Inc.	1.3
CI Financial Corp.	1.3
Canadian Pacific Railway Ltd.	1.3
Top 25 Holdings	64.1

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY VALUE FUND

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide long-term capital growth. To achieve the Fund's investment objective, the portfolio manager invests primarily in equities of Canadian companies priced below the manager's assessment of their true value and offering long-term opportunities for growth.

Results of Operations

The Fund's net asset value was \$1.1 billion as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 9.3%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Composite Index, Canada's equity benchmark, outperformed most other global indexes during the period. The resource-heavy Canadian index was positively impacted by surging commodity prices. Crude oil prices found a bottom and started recovering from levels that were well below the marginal cost of production, nearly doubling through the first half of the year. Gold prices also rebounded, and as the fundamental outlook became more constructive, the Energy sector and gold companies began to outperform the broader market. This benefited the S&P/TSX, where energy and gold stocks together account for more than a quarter of the index's market capitalization. Concurrently, global growth concerns made headlines once again after the U.K.'s surprising decision to leave the EU ("Brexit"). The Brexit vote diverted investor focus from some positive economic developments in North America and signs of stabilization emerging from China.

In the first half of 2016, the Fund underperformed, primarily due to an underweight positioning in gold companies. Gold stocks as a whole have historically been challenging for value-oriented investors to own, as the price of gold is unpredictable and the companies in the sector have a poor track record of allocating capital.

This underperformance was partially offset by the Fund's underweight position in the Health Care sector due to extreme price weakness from Valeant Pharmaceuticals and to a lesser extent Concordia International Corp.

The Fund also underperformed due to overweight exposure to the Financials sector. Financials stocks failed to keep pace with the market as concerns over banks' exposure to potential fallout from rapidly appreciating Canadian housing prices and the troubled Energy sector continued to impact their performance.

Recent Developments

An improvement in the performance of Canadian equity markets will require a bigger contribution from stocks in the Financials and Energy sectors. While the supply-demand equation for a number of commodities has improved, the portfolio manager believes it is hard to envision a surge from here without stronger global economic growth. Meanwhile, the domestic economy's reliance on housing and questions about the ability of consumers to maintain their spending continue to be points of discussion. The interest rate policy divergence between the U.S. Federal Reserve and the Bank of Canada is likely to widen if commodity prices remain weak, which could add further pressure to the Canadian dollar.

Effective June 30, 2016, management fees were reduced as follows: from 1.75% to 1.60% for Series C and Advisor Series units; from 1.00% to 0.85% for Series D units; and from 0.75% to 0.60% for Series F units. Also effective June 30, 2016, Series H units were re-designated to Series C units, followed by all Series C units being renamed Series A units, and Series I units were re-designated to Series F units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$112,000 (2015 – \$54,000), or 20% (2015 – 11%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
											Total	
Series A												
June 30, 2016	11.75	0.20	(0.12)	(0.14)	1.03	0.97	—	—	—	—	—	12.72
Dec. 31, 2015	13.31	0.39	(0.26)	0.48	(1.67)	(1.06)	—	(0.06)	(0.47)	—	(0.53)	11.75
Dec. 31, 2014	12.86	0.41	(0.28)	1.43	(0.31)	1.25	—	(0.04)	(0.96)	—	(1.00)	13.31
Dec. 31, 2013	11.33	0.36	(0.24)	0.20	1.62	1.94	—	—	—	—	—	12.85
Dec. 31, 2012	10.45	0.31	(0.22)	0.37	0.84	1.30	—	—	(0.32)	—	(0.32)	11.33
Dec. 31, 2011	11.28	0.34	(0.22)	(0.24)	(0.82)	(0.94)	—	—	(0.14)	—	(0.14)	10.45
Advisor Series												
June 30, 2016	11.74	0.20	(0.12)	(0.14)	1.03	0.97	—	—	—	—	—	12.71
Dec. 31, 2015	13.30	0.39	(0.26)	0.48	(1.67)	(1.06)	—	(0.06)	(0.46)	—	(0.52)	11.74
Dec. 31, 2014	12.86	0.32	(0.29)	1.10	(0.24)	0.89	—	(0.04)	(0.95)	—	(0.99)	13.30
Dec. 31, 2013	11.33	0.35	(0.25)	0.19	1.56	1.85	—	—	—	—	—	12.85
Dec. 31, 2012	10.45	0.31	(0.22)	0.37	0.84	1.30	—	—	(0.32)	—	(0.32)	11.33
Dec. 31, 2011	11.28	0.34	(0.22)	(0.24)	(0.82)	(0.94)	—	—	(0.14)	—	(0.14)	10.45
Series D												
June 30, 2016	11.89	0.20	(0.07)	(0.15)	1.04	1.02	—	—	—	—	—	12.92
Dec. 31, 2015	13.47	0.40	(0.16)	0.48	(1.69)	(0.97)	—	(0.17)	(0.47)	—	(0.64)	11.89
Dec. 31, 2014	13.00	0.42	(0.17)	1.45	(0.32)	1.38	—	(0.16)	(0.96)	—	(1.12)	13.47
Dec. 31, 2013	11.45	0.37	(0.15)	0.20	1.64	2.06	—	—	—	—	—	12.99
Dec. 31, 2012	10.54	0.30	(0.14)	0.37	0.82	1.35	(0.07)	—	(0.32)	—	(0.39)	11.45
Dec. 31, 2011	11.32	0.30	(0.13)	(0.21)	(0.72)	(0.76)	—	(0.03)	(0.14)	—	(0.17)	10.54
Series F												
June 30, 2016	11.91	0.20	(0.06)	(0.15)	1.05	1.04	—	—	—	—	—	12.96
Dec. 31, 2015	13.49	0.40	(0.12)	0.48	(1.70)	(0.94)	—	(0.20)	(0.47)	—	(0.67)	11.91
Dec. 31, 2014	13.03	0.39	(0.13)	1.37	(0.30)	1.33	—	(0.21)	(0.96)	—	(1.17)	13.49
Dec. 31, 2013	11.48	0.36	(0.11)	0.20	1.63	2.08	—	—	—	—	—	13.02
Dec. 31, 2012	10.57	0.31	(0.11)	0.37	0.84	1.41	(0.11)	—	(0.32)	—	(0.43)	11.48
Dec. 31, 2011	11.35	0.32	(0.10)	(0.23)	(0.78)	(0.79)	—	(0.06)	(0.14)	—	(0.20)	10.57
Series O												
June 30, 2016	11.80	0.20	—	(0.14)	1.04	1.10	—	—	—	—	—	12.90
Dec. 31, 2015	13.38	0.39	—	0.47	(1.66)	(0.80)	—	(0.31)	(0.48)	—	(0.79)	11.80
Dec. 31, 2014	12.99	0.42	(0.01)	1.45	(0.32)	1.54	—	(0.40)	(0.96)	—	(1.36)	13.38
Dec. 31, 2013	11.45	0.36	(0.01)	0.20	1.62	2.17	—	—	—	—	—	12.99
Dec. 31, 2012	10.54	0.31	(0.01)	0.37	0.83	1.50	(0.21)	—	(0.32)	—	(0.53)	11.45
Dec. 31, 2011	11.32	0.28	(0.01)	(0.20)	(0.69)	(0.62)	—	(0.15)	(0.14)	—	(0.29)	10.54

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	12.72	13 735	1 080	2.03⁴	2.03	38.70	0.11
Dec. 31, 2015	11.75	9 252	787	2.03	2.03	43.12	0.09
Dec. 31, 2014	13.31	11 320	851	2.07	2.07	72.04	0.13
Dec. 31, 2013	12.86	10 343	804	2.06	2.06	70.36	0.18
Dec. 31, 2012	11.35	9 977	879	2.04	2.04	109.96	0.32
Dec. 31, 2011	10.46	8 990	859	2.02	2.02	168.85	0.48
Advisor Series							
June 30, 2016	12.71	217 746	17 133	2.03⁴	2.03	38.70	0.11
Dec. 31, 2015	11.74	216 457	18 432	2.03	2.03	43.12	0.09
Dec. 31, 2014	13.30	279 083	20 990	2.06	2.06	72.04	0.13
Dec. 31, 2013	12.86	1 910	149	2.06	2.06	70.36	0.18
Dec. 31, 2012	11.35	1 363	120	2.04	2.04	109.96	0.32
Dec. 31, 2011	10.46	967	92	2.02	2.02	168.85	0.48
Series D							
June 30, 2016	12.92	71 744	5 551	1.18⁴	1.18	38.70	0.11
Dec. 31, 2015	11.89	64 665	5 437	1.19	1.19	43.12	0.09
Dec. 31, 2014	13.47	70 944	5 267	1.19	1.19	72.04	0.13
Dec. 31, 2013	13.00	62 460	4 804	1.21	1.21	70.36	0.18
Dec. 31, 2012	11.47	54 426	4 745	1.23	1.23	109.96	0.32
Dec. 31, 2011	10.56	27 641	2 618	1.23	1.23	168.85	0.48
Series F							
June 30, 2016	12.96	119 614	9 228	0.94⁴	0.94	38.70	0.11
Dec. 31, 2015	11.91	91 336	7 667	0.94	0.94	43.12	0.09
Dec. 31, 2014	13.49	98 164	7 277	0.94	0.94	72.04	0.13
Dec. 31, 2013	13.03	48 817	3 747	0.95	0.95	70.36	0.18
Dec. 31, 2012	11.50	31 012	2 697	0.95	0.95	109.96	0.32
Dec. 31, 2011	10.59	19 262	1 820	0.94	0.94	168.85	0.48
Series O							
June 30, 2016	12.90	720 047	55 830	0.02	0.02	38.70	0.11
Dec. 31, 2015	11.80	591 951	50 166	0.04	0.04	43.12	0.09
Dec. 31, 2014	13.38	427 618	31 953	0.06	0.06	72.04	0.13
Dec. 31, 2013	12.99	373 388	28 737	0.06	0.06	70.36	0.18
Dec. 31, 2012	11.47	183 043	15 963	0.06	0.06	109.96	0.32
Dec. 31, 2011	10.56	87 282	8 267	0.06	0.06	168.85	0.48

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.87%, Advisor Series – 1.87%, Series D – 1.02% and Series F – 0.77%.

FINANCIAL HIGHLIGHTS (cont.)**Management Fees**

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

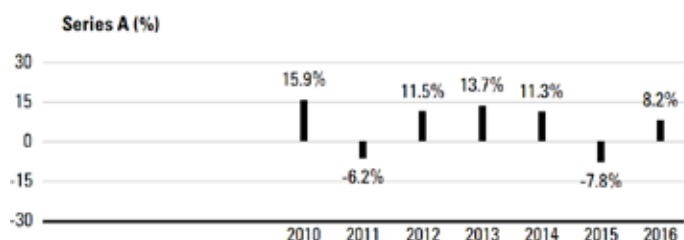
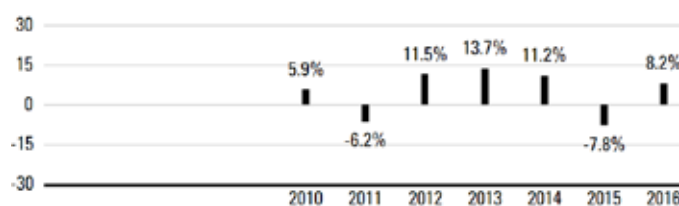
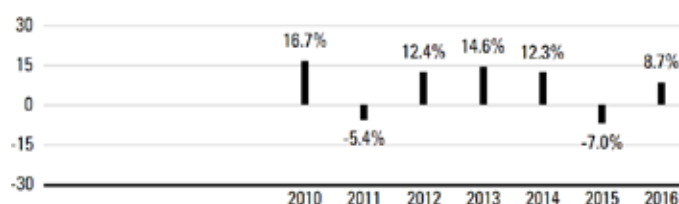
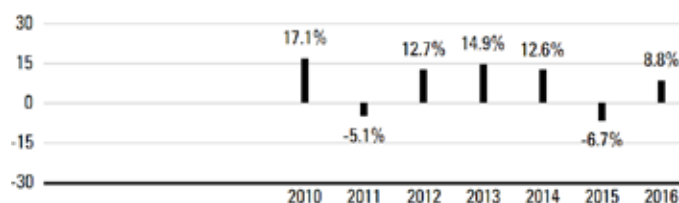
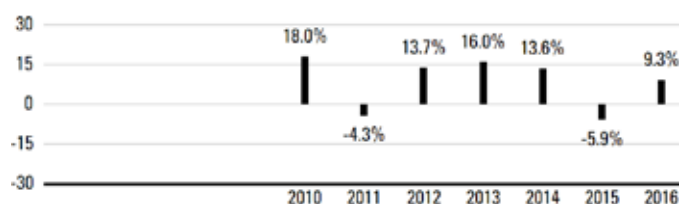
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.

**Advisor Series (%)****Series D (%)****Series F (%)****Series O (%)**

Advisor Series units have been available for sale to unitholders since October 2010, and Series A, Series D, Series F and Series O units since December 2009.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H units were re-designated as Series C units and then immediately renamed Series A units effective June 30, 2016. All outstanding Series I units were re-designated as Series F units effective June 30, 2016.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Financials	38.0
Energy	19.6
Materials	7.9
Industrials	6.0
Consumer Discretionary	6.0
Consumer Staples	5.1
Telecommunication Services	4.2
Utilities	3.7
Information Technology	2.7
Index Funds	1.0
Health Care	0.5
Cash/Other	5.3

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	6.9
Toronto-Dominion Bank	5.9
Cash & Cash Equivalents	5.1
Bank of Nova Scotia	5.0
Suncor Energy Inc.	3.7
Brookfield Asset Management Inc., Class A	3.2
Canadian Natural Resources Ltd.	3.1
Bank of Montreal	3.0
Canadian National Railway Co.	2.9
BCE Inc.	2.9
Enbridge Inc.	2.9
TransCanada Corp.	2.4
Canadian Imperial Bank of Commerce	2.2
Manulife Financial Corporation	2.0
Loblaw Companies Ltd.	1.8
Sun Life Financial Inc.	1.7
Thomson Corp.	1.6
Waste Connections Inc.	1.3
Alimentation Couche-Tard Inc.	1.3
Power Corporation of Canada	1.3
CGI Group Inc., Class A	1.3
Cenovus Energy Inc.	1.3
Fortis Inc.	1.2
Onex Corporation	1.1
Goldcorp Inc.	1.1
Top 25 Holdings	66.2

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide significant long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks. The Fund is expected to be used primarily as an underlying fund for other mutual funds but may also be sold directly to other investors.

To achieve the Fund's investment objectives the portfolio manager will focus primarily on larger-capitalization stocks. The portfolio manager generally invests in growth companies that have superior management, industry leadership, a high level of profitability compared with competitors, a sound financial position, strong earnings growth and a reasonable valuation.

Results of Operations

The Fund's net asset value was \$2.6 billion as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 9.8%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Canadian stocks began the year with significant declines as prices for oil and some other commodities fell to multi-year lows. However, the Canadian equity market rebounded beginning in February along with a recovery in oil and gold prices and finished the period in positive territory.

Energy was the Fund's best-performing sector during the period, due primarily to strong security selection. Stocks of companies that explore for and produce oil and gas led the sector higher. The Fund's overweight positions in Seven Generations, ARC Resources and Crescent Point Energy contributed to relative performance. A relative lack of exposure to the poorly performing Health Care sector also aided returns.

The Fund's relative lack of exposure to surging gold stocks was negative for the Fund's relative performance. An underweight position in Barrick Gold in the portfolio and the absence of Yamana Gold, two large-cap gold companies, held back returns.

Recent Developments

Slow economic growth and heightened levels of uncertainty are creating a challenging environment for investors. While the overall backdrop seems slightly less murky than a quarter ago, the list of threats to the economy and capital markets remains extensive and clustered to the downside. Profit growth has yet to recover, although there are signs that earnings may now be stabilizing, and the geopolitical and financial risks on the horizon are varied. Most prominent of late was the U.K. vote to leave the EU. The main risks associated with the decision come from transmission via financial

conditions in the near term and political developments in the long term. Globally, the prospect of better growth over the second half of 2016 and into 2017 now appears much less certain.

Related-Party Transactions

Manager, Portfolio Manager and Registrar

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager, principal portfolio manager and registrar of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM, as registrar, also keeps the records of who owns the units of the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributor

RBC GAM is the principal distributor of the Fund.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$139,000 (2015 – \$44,000), or 12% (2015 – 5%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
		Series O										
June 30, 2016	10.00	0.16	—	(0.21)	1.03	0.98	—	—	—	—	—	10.97
Dec. 31, 2015	11.06	0.31	—	(0.05)	(1.00)	(0.74)	—	(0.31)	—	—	(0.31)	10.00
Dec. 31, 2014	11.11	0.30	—	1.02	0.13	1.45	—	(0.32)	(1.09)	—	(1.41)	11.06
Dec. 31, 2013	9.49	0.27	—	0.26	2.10	2.63	—	(0.17)	(0.10)	—	(0.27)	11.10
Dec. 31, 2012	8.85	0.25	—	(0.19)	0.87	0.93	—	(0.27)	—	—	(0.27)	9.49
Dec. 31, 2011 ³	10.00 [†]	0.27	—	(0.55)	(1.10)	(1.38)	(0.02)	(0.12)	—	—	(0.14)	8.85

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From January 2011.

[†] Initial offering net asset value per unit.

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series O							
June 30, 2016	10.97	2 562 350	233 494	0.02	0.02	37.41	0.10
Dec. 31, 2015	10.00	2 387 979	238 883	0.02	0.02	29.58	0.07
Dec. 31, 2014	11.06	2 535 912	229 262	0.02	0.02	48.42	0.10
Dec. 31, 2013	11.11	2 380 463	214 294	0.02	0.02	37.75	0.12
Dec. 31, 2012	9.51	663 966	69 842	0.02	0.02	56.51	0.17
Dec. 31, 2011 ⁴	8.87	671 650	75 696	0.02	0.02	70.24	0.21

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From January 2011.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND
FINANCIAL HIGHLIGHTS (cont.)
Management Fees

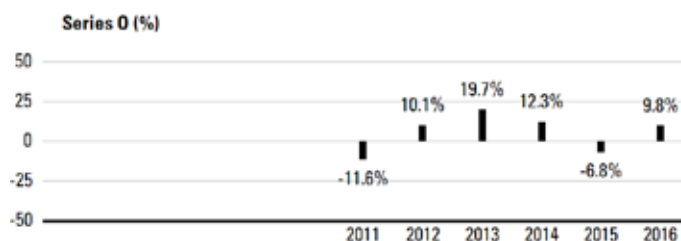
RBC GAM is the manager, portfolio manager and registrar of the Fund. No management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Series O units have been available for sale to unitholders since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Financials	37.7
Energy	23.2
Materials	10.0
Consumer Discretionary	8.6
Industrials	8.0
Consumer Staples	3.3
Telecommunication Services	3.1
Information Technology	3.0
Utilities	1.4
Cash/Other	1.7

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	8.0
Toronto-Dominion Bank	7.4
Bank of Nova Scotia	5.3
Enbridge Inc.	4.4
Brookfield Asset Management Inc., Class A	3.9
Manulife Financial Corporation	3.8
Canadian National Railway Co.	2.8
Canadian Natural Resources Ltd.	2.7
Suncor Energy Inc.	2.5
Alimentation Couche-Tard Inc.	2.4
Pembina Pipeline Corp.	2.1
Tourmaline Oil Corp.	1.9
PrairieSky Royalty Ltd.	1.8
TELUS Corp.	1.6
Cash & Cash Equivalents	1.5
Bank of Montreal	1.5
Rogers Communications Inc., Class B	1.5
CGI Group Inc., Class A	1.5
National Bank of Canada	1.4
ARC Resources Ltd.	1.4
Thomson Corp.	1.3
Gildan Activewear Inc., Class A	1.2
TransCanada Corp., Subscription Receipts	1.2
Agnico Eagle Mines Ltd.	1.2
Dollarama Inc.	1.2
Top 25 Holdings	65.5

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND II

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks.

To achieve the Fund's investment objectives the portfolio manager will focus primarily on stocks with market capitalization greater than \$1 billion. The portfolio manager generally invests in growth companies that have superior management, industry leadership, a high level of profitability compared with competitors, a sound financial position, strong earnings growth and a reasonable valuation.

Results of Operations

The Fund's net asset value was \$1.6 billion as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 10.2%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Canadian stocks began the year with significant declines as prices for oil and some other commodities fell to multi-year lows. However, the Canadian equity market rebounded beginning in February along with a recovery in oil and gold prices and finished the period in positive territory.

Energy was the Fund's best-performing sector during the period, due primarily to strong security selection. Stocks of companies that explore for and produce oil and gas led the sector higher. The Fund's overweight positions in Seven Generations, ARC Resources and Crescent Point Energy contributed to relative performance. A relative lack of exposure to the poorly performing Health Care sector also aided returns.

The Fund's relative lack of exposure to surging gold stocks was negative for the Fund's relative performance. An underweight position in Barrick Gold in the portfolio and the absence of Yamana Gold, two large-cap gold companies, held back returns.

Portfolio turnover is normally high for this Fund, as the portfolio manager attempts to generate better returns through active sector and stock selection.

Recent Developments

Slow economic growth and heightened levels of uncertainty are creating a challenging environment for investors. While the overall backdrop seems slightly less murky than a quarter ago, the list of threats to the economy and capital markets remains extensive and clustered to the downside. Profit growth has yet to recover, although there are signs that earnings may now be stabilizing, and the geopolitical and financial risks on the horizon are varied. Most prominent of late was the U.K. vote to leave the EU. The main risks

associated with the decision come from transmission via financial conditions in the near term and political developments in the long term. Globally, the prospect of better growth over the second half of 2016 and into 2017 now appears much less certain.

Related-Party Transactions

Manager, Portfolio Manager and Registrar

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager, principal portfolio manager and registrar of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM, as registrar, also keeps the records of who owns the units of the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributor

RBC GAM is the principal distributor of the Fund.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$305,000 (2015 – \$36,000), or 8% (2015 – 3%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND II
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series O												
June 30, 2016	8.52	0.14	—	(0.16)	0.97	0.95	—	—	—	—	—	9.39
Dec. 31, 2015	9.64	0.29	—	(0.10)	(1.08)	(0.89)	—	(0.15)	(0.21)	—	(0.36)	8.52
Dec. 31, 2014 ³	10.00 [†]	0.10	—	(0.03)	0.18	0.25	—	(0.04)	(0.01)	—	(0.05)	9.64

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From July 2014.

[†] Initial offering net asset value per unit.

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series O							
June 30, 2016	9.39	1 562 591	166 349	0.02	0.02	208.35	0.48
Dec. 31, 2015	8.52	1 399 198	164 149	0.02	0.02	171.02	0.47
Dec. 31, 2014 ⁴	9.64	409 071	42 435	0.02	0.02	56.94	0.27

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From July 2014.

Management Fees

RBC GAM is the manager, portfolio manager and registrar of the Fund. No management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND II
PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Series O units have been available for sale to unitholders since August 2014.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Financials	37.7
Energy	23.3
Consumer Discretionary	7.8
Materials	7.5
Industrials	6.5
Consumer Staples	5.2
Telecommunication Services	3.0
Utilities	2.8
Information Technology	2.1
Cash/Other	4.1

Top 25 Holdings

	% of Net Asset Value
Toronto-Dominion Bank	8.1
Royal Bank of Canada	7.7
Bank of Nova Scotia	4.6
Enbridge Inc.	4.0
Cash & Cash Equivalents	3.9
Manulife Financial Corporation	3.7
Brookfield Asset Management Inc., Class A	3.4
Rogers Communications Inc., Class B	3.0
Alimentation Couche-Tard Inc.	3.0
Cenovus Energy Inc.	2.3
CI Financial Corp.	2.3
PrairieSky Royalty Ltd.	2.1
Gildan Activewear Inc., Class A	2.1
National Bank of Canada	2.0
Tourmaline Oil Corp.	1.9
Brookfield Property Partners LP	1.9
Suncor Energy Inc.	1.9
Canadian Natural Resources Ltd.	1.9
Stantec Inc.	1.8
Fortis Inc.	1.8
Empire Co. Ltd., Class A	1.8
Pembina Pipeline Corp.	1.7
Canadian Pacific Railway Ltd.	1.6
TransCanada Corp., Subscription Receipts	1.5
CGI Group Inc., Class A	1.5
Top 25 Holdings	71.5

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

PHILLIPS, HAGER & NORTH
CANADIAN GROWTH FUND

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks. The Fund also may invest a portion of its assets in U.S. and international securities in order to achieve greater exposure to industries that are not well represented in Canada. To achieve the Fund's investment objective, the portfolio manager invests primarily in companies that they believe, among other things, have a superior management team, a leadership position in their industry, a high level of profitability compared to their peers, and strong earnings potential.

Results of Operations

The Fund's net asset value was \$528 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 8.7%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Global equity markets experienced considerable volatility in the first half of 2016. Concerns surrounding global economic growth, especially China's economic outlook, weighed on stocks. Another round of interest-rate cuts in Japan and Europe, a further delay in rate hikes by the U.S. Federal Reserve and a steadying U.S. economy helped provide support.

Commodity prices staged a strong recovery during the period. The price of crude oil rose significantly, as did the price of gold, which benefited from global policy easing. Commodity gains contributed to the Canadian market's strong performance in the first half of 2016. The U.S. market posted low-single-digit returns, aided by the oil-price surge, a pause in the U.S. dollar rally and the stabilization in Chinese economic data.

The best relative-performing sectors in the Fund were Energy, Financials and Health Care. The Industrials, Information Technology and Materials sectors underperformed.

The Fund benefited from positions in Detour Gold, Spartan Energy and TransAlta Renewables. The portfolio manager's decision not to invest in Constellation Software and Imperial Oil contributed to performance, as these stocks performed poorly.

Investments that were added to the portfolio during the period included Badger Daylighting, Enercare, Franco-Nevada, Innergex, Interfor, Jaguar Mining, Mainstreet Health, Norbord, Performance Sports, Stantec and Waste Connections. Eliminated from the portfolio were positions in Amaya, American Hotel Income REIT, Bombardier, Boyd Group Income Fund, CI Financial, Encana, Gildan Activewear, Richmont Mines, Sprott Resources, Western Forest Products and Westshore Terminals.

Recent Developments

Equity markets continue to be attractively priced relative to their long-term history. The bulk of equity gains in recent months has been delivered through expanding valuations as investors are willing to pay a premium for the growth and yield of equity markets in an environment of low interest rates, low inflation and stimulative monetary policy. Modest global growth, coupled with stability in commodities, should, in the view of the portfolio manager, allow equities to continue providing moderate total returns.

Effective June 30, 2016, management fees were reduced as follows: from 1.75% to 1.60% for Series C and Advisor Series units; from 1.00% to 0.85% for Series D units; and from 0.75% to 0.60% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$19,000 (2015 – \$24,000), or 7% (2015 – 17%) of the total transaction costs paid for this Fund during this period.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series A												
June 30, 2016	30.93	0.48	(0.31)	0.49	1.76	2.42	—	—	—	—	—	33.30
Dec. 31, 2015	33.47	0.91	(0.67)	(0.25)	(2.54)	(2.55)	—	(0.14)	—	—	(0.14)	30.93
Dec. 31, 2014	31.23	0.87	(0.68)	1.79	0.86	2.84	—	(0.24)	—	—	(0.24)	33.47
Dec. 31, 2013	27.77	0.81	(0.58)	0.17	3.29	3.69	—	(0.17)	—	—	(0.17)	31.21
Dec. 31, 2012	26.10	0.68	(0.54)	0.40	1.21	1.75	—	(0.05)	—	—	(0.05)	27.77
Dec. 31, 2011	29.65	0.51	(0.56)	0.67	(4.11)	(3.49)	—	—	—	—	—	26.10
Advisor Series												
June 30, 2016	30.94	0.48	(0.31)	0.49	1.76	2.42	—	—	—	—	—	33.31
Dec. 31, 2015	33.47	0.91	(0.67)	(0.25)	(2.52)	(2.53)	—	(0.14)	—	—	(0.14)	30.94
Dec. 31, 2014	31.22	0.87	(0.68)	1.79	0.86	2.84	—	(0.24)	—	—	(0.24)	33.47
Dec. 31, 2013	27.77	0.76	(0.59)	0.16	3.07	3.40	—	(0.17)	—	—	(0.17)	31.20
Dec. 31, 2012	26.10	0.68	(0.54)	0.40	1.21	1.75	—	(0.05)	—	—	(0.05)	27.77
Dec. 31, 2011	29.65	0.51	(0.56)	0.67	(4.11)	(3.49)	—	—	—	—	—	26.10
Series D												
June 30, 2016	30.57	0.47	(0.18)	0.49	1.74	2.52	—	—	—	—	—	33.04
Dec. 31, 2015	33.07	0.90	(0.39)	(0.25)	(2.52)	(2.26)	—	(0.39)	—	—	(0.39)	30.57
Dec. 31, 2014	30.83	0.86	(0.40)	1.77	0.85	3.08	—	(0.49)	—	—	(0.49)	33.07
Dec. 31, 2013	27.41	0.81	(0.34)	0.17	3.26	3.90	—	(0.41)	—	—	(0.41)	30.81
Dec. 31, 2012	25.77	0.67	(0.32)	0.40	1.20	1.95	—	(0.27)	—	—	(0.27)	27.41
Dec. 31, 2011	29.20	0.51	(0.33)	0.66	(4.06)	(3.22)	—	(0.14)	—	—	(0.14)	25.77
Series F												
June 30, 2016	30.76	0.48	(0.14)	0.49	1.76	2.59	—	—	—	—	—	33.29
Dec. 31, 2015	33.28	0.91	(0.30)	(0.25)	(2.53)	(2.17)	—	(0.49)	—	—	(0.49)	30.76
Dec. 31, 2014	31.03	0.87	(0.30)	1.78	0.86	3.21	—	(0.59)	—	—	(0.59)	33.28
Dec. 31, 2013	27.59	0.81	(0.26)	0.17	3.29	4.01	—	(0.50)	—	—	(0.50)	31.00
Dec. 31, 2012	25.93	0.67	(0.25)	0.40	1.21	2.03	—	(0.35)	—	—	(0.35)	27.59
Dec. 31, 2011	29.38	0.51	(0.25)	0.66	(4.10)	(3.18)	—	(0.22)	—	—	(0.22)	25.93
Series O												
June 30, 2016	31.35	0.49	(0.01)	0.50	1.79	2.77	—	—	—	—	—	34.08
Dec. 31, 2015	33.93	0.93	(0.02)	(0.25)	(2.58)	(1.92)	—	(0.78)	—	—	(0.78)	31.35
Dec. 31, 2014	31.64	0.89	(0.02)	1.82	0.88	3.57	—	(0.89)	—	—	(0.89)	33.93
Dec. 31, 2013	28.13	0.83	(0.01)	0.17	3.36	4.35	—	(0.78)	—	—	(0.78)	31.61
Dec. 31, 2012	26.46	0.69	(0.01)	0.41	1.24	2.33	—	(0.62)	—	—	(0.62)	28.13
Dec. 31, 2011	29.98	0.52	(0.01)	0.68	(4.19)	(3.00)	—	(0.46)	—	—	(0.46)	26.46

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	33.30	2 125	64	1.99⁴	1.99	41.19	0.10
Dec. 31, 2015	30.93	2 499	81	2.00	2.00	30.74	0.07
Dec. 31, 2014	33.47	3 037	91	2.01	2.01	41.63	0.08
Dec. 31, 2013	31.23	2 801	90	2.01	2.01	44.12	0.07
Dec. 31, 2012	27.82	2 722	98	2.03	2.03	63.37	0.10
Dec. 31, 2011	26.15	2 448	94	2.04	2.04	41.27	0.07
Advisor Series							
June 30, 2016	33.31	205	6	2.00⁴	2.00	41.19	0.10
Dec. 31, 2015	30.94	186	6	2.00	2.00	30.74	0.07
Dec. 31, 2014	33.47	155	5	2.01	2.01	41.63	0.08
Dec. 31, 2013	31.22	147	5	2.01	2.01	44.12	0.07
Dec. 31, 2012	27.82	68	2	2.03	2.03	63.37	0.10
Dec. 31, 2011	26.15	56	2	2.04	2.04	41.27	0.07
Series D							
June 30, 2016	33.04	114 532	3 467	1.19⁴	1.19	41.19	0.10
Dec. 31, 2015	30.57	112 805	3 691	1.19	1.19	30.74	0.07
Dec. 31, 2014	33.07	134 270	4 061	1.19	1.19	41.63	0.08
Dec. 31, 2013	30.83	138 825	4 503	1.19	1.19	44.12	0.07
Dec. 31, 2012	27.46	149 035	5 427	1.22	1.22	63.37	0.10
Dec. 31, 2011	25.82	164 779	6 381	1.22	1.22	41.27	0.07
Series F							
June 30, 2016	33.29	1 116	34	0.89⁴	0.89	41.19	0.10
Dec. 31, 2015	30.76	551	18	0.90	0.90	30.74	0.07
Dec. 31, 2014	33.28	437	13	0.89	0.89	41.63	0.08
Dec. 31, 2013	31.03	498	16	0.91	0.91	44.12	0.07
Dec. 31, 2012	27.64	473	17	0.94	0.94	63.37	0.10
Dec. 31, 2011	25.98	467	18	0.93	0.93	41.27	0.07
Series O							
June 30, 2016	34.08	409 648	12 019	0.04	0.04	41.19	0.10
Dec. 31, 2015	31.35	393 664	12 555	0.04	0.04	30.74	0.07
Dec. 31, 2014	33.93	314 503	9 268	0.04	0.04	41.63	0.08
Dec. 31, 2013	31.64	301 342	9 526	0.04	0.04	44.12	0.07
Dec. 31, 2012	28.18	222 437	7 893	0.04	0.04	63.37	0.10
Dec. 31, 2011	26.51	186 366	7 030	0.04	0.04	41.27	0.07

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.83%, Advisor Series – 1.83%, Series D – 1.02% and Series F – 0.74%.

FINANCIAL HIGHLIGHTS (cont.)**Management Fees**

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

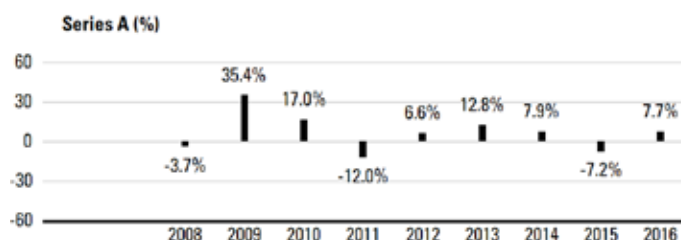
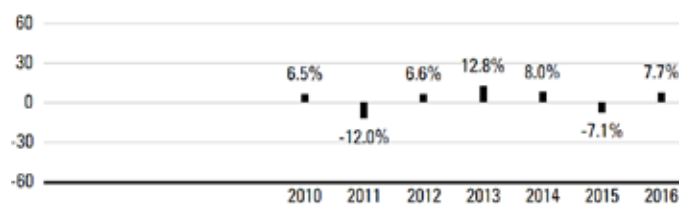
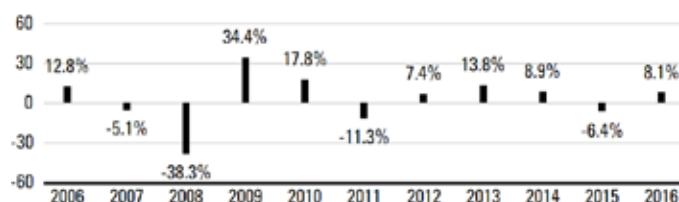
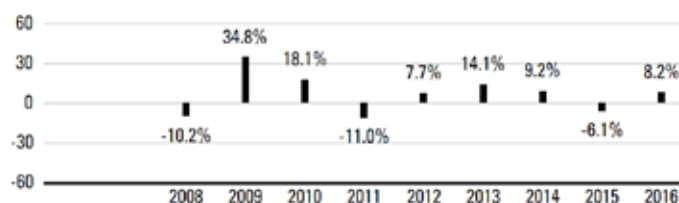
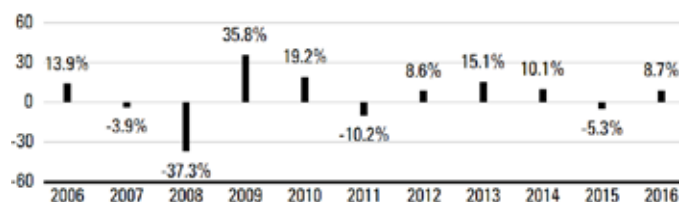
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.

**Advisor Series (%)****Series D (%)****Series F (%)****Series O (%)**

Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since October 2008.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Financials	34.4
Energy	20.2
Materials	12.6
Industrials	8.0
Consumer Discretionary	6.9
Consumer Staples	3.8
Telecommunication Services	3.4
Utilities	2.7
Information Technology	2.4
Health Care	1.9
Cash/Other	3.7

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	6.5
Toronto-Dominion Bank	6.0
Bank of Nova Scotia	4.5
Canadian National Railway Co.	4.1
Cash & Cash Equivalents	3.5
Suncor Energy Inc.	3.3
Bank of Montreal	3.1
Enbridge Inc.	2.7
Canadian Natural Resources Ltd.	2.5
TransCanada Corp.	2.4
Canadian Imperial Bank of Commerce	2.4
BCE Inc.	2.4
Manulife Financial Corporation	2.1
Brookfield Asset Management Inc., Class A	1.9
Power Corporation of Canada	1.6
Magna International Inc., Class A	1.5
Goldcorp Inc.	1.3
Loblaw Companies Ltd.	1.3
Sun Life Financial Inc.	1.2
Canadian Pacific Railway Ltd.	1.1
Potash Corporation of Saskatchewan Inc.	1.1
Agnico Eagle Mines Ltd.	1.0
Rogers Communications Inc., Class B	1.0
Canadian Tire Corp. Ltd., Class A	1.0
CGI Group Inc., Class A	1.0
Top 25 Holdings	60.5

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

PHILLIPS, HAGER & NORTH
CANADIAN INCOME FUND

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with capital preservation and a reasonably consistent level of income. To achieve the Fund's investment objective, the portfolio manager invests primarily in a well-diversified portfolio of dividend-paying Canadian common shares, high-quality units of Canadian income trusts or real estate investment trusts ("REITs"), and other income-producing securities including bonds of the Canadian government, provincial governments and quality Canadian corporations and high quality money market securities including asset backed commercial paper. The Fund's assets are concentrated in mid- and large-capitalization securities and it does not invest in businesses with excessive financial leverage.

Results of Operations

The Fund's net asset value was \$905 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 9.8%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Canadian stocks began the year with significant declines as prices for oil and some other commodities fell to multi-year lows. However, the Canadian equity market rebounded beginning in February along with a recovery in oil and gold prices and finished the period in positive territory.

Energy was the Fund's best-performing sector during the period, due primarily to strong security selection. Stocks of companies that explore for and produce oil and gas led the sector higher. The Fund's overweight positions in PrairieSky Royalty, ARC Resources and Crescent Point Energy contributed to relative performance. The Consumer Discretionary sector was the second-largest contributor to performance due to strong security selection.

The Fund's relative lack of exposure to surging gold stocks was negative for the Fund's performance. The absence in the portfolio of Barrick Gold and Yamana Gold, two large-cap gold companies, held back returns.

Portfolio turnover is normally high for this Fund, as the portfolio manager attempts to generate better returns through active sector and stock selection.

Recent Developments

Slow economic growth and heightened levels of uncertainty are creating a challenging environment for investors. While the overall backdrop seems slightly less murky than a quarter ago, the list of threats to the economy and capital markets remains extensive and clustered to the downside. Profit growth has yet to recover,

although there are signs that earnings may now be stabilizing, and the geopolitical and financial risks on the horizon are varied. Most prominent of late was the U.K. vote to leave the EU. The main risks associated with the decision come from transmission via financial conditions in the near term and political developments in the long term. Globally, the prospect of better growth over the second half of 2016 and into 2017 now appears much less certain.

Effective June 30, 2016, management fees were reduced as follows: from 1.75% to 1.60% for Series C and Advisor Series units; from 1.00% to 0.85% for Series D units; and from 0.75% to 0.60% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$162,000 (2015 – \$51,000), or 8% (2015 – 3%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series A												
June 30, 2016	13.05	0.24	(0.14)	(0.22)	1.25	1.13	—	(0.06)	—	—	(0.06)	14.14
Dec. 31, 2015	14.35	0.49	(0.28)	(0.68)	(0.76)	(1.23)	—	(0.09)	—	—	(0.09)	13.05
Dec. 31, 2014	13.52	0.61	(0.30)	1.17	(0.88)	0.60	—	(0.11)	(0.01)	—	(0.12)	14.35
Dec. 31, 2013	11.80	0.40	(0.25)	1.11	0.56	1.82	—	(0.11)	—	—	(0.11)	13.51
Dec. 31, 2012	10.71	0.41	(0.23)	0.27	0.74	1.19	—	(0.12)	—	—	(0.12)	11.80
Dec. 31, 2011	11.28	0.41	(0.22)	0.41	(1.04)	(0.44)	—	(0.17)	—	—	(0.17)	10.71
Advisor Series												
June 30, 2016	13.05	0.24	(0.14)	(0.22)	1.25	1.13	—	(0.06)	—	—	(0.06)	14.14
Dec. 31, 2015	14.35	0.49	(0.28)	(0.68)	(0.76)	(1.23)	—	(0.09)	—	—	(0.09)	13.05
Dec. 31, 2014	13.52	0.61	(0.30)	1.16	(0.87)	0.60	—	(0.11)	(0.01)	—	(0.12)	14.35
Dec. 31, 2013	11.80	0.39	(0.26)	1.09	0.55	1.77	—	(0.11)	—	—	(0.11)	13.51
Dec. 31, 2012	10.71	0.41	(0.23)	0.27	0.74	1.19	—	(0.12)	—	—	(0.12)	11.80
Dec. 31, 2011	11.28	0.41	(0.22)	0.41	(1.04)	(0.44)	—	(0.17)	—	—	(0.17)	10.71
Series D												
June 30, 2016	13.04	0.24	(0.08)	(0.22)	1.26	1.20	—	(0.12)	—	—	(0.12)	14.12
Dec. 31, 2015	14.31	0.49	(0.17)	(0.68)	(0.76)	(1.12)	—	(0.17)	—	—	(0.17)	13.04
Dec. 31, 2014	13.47	0.62	(0.17)	1.18	(0.88)	0.75	—	(0.22)	(0.01)	—	(0.23)	14.31
Dec. 31, 2013	11.76	0.40	(0.15)	1.11	0.56	1.92	—	(0.22)	—	—	(0.22)	13.46
Dec. 31, 2012	10.70	0.41	(0.14)	0.27	0.74	1.28	—	(0.24)	—	—	(0.24)	11.76
Dec. 31, 2011	11.23	0.41	(0.13)	0.41	(1.04)	(0.35)	—	(0.22)	—	—	(0.22)	10.70
Series F												
June 30, 2016	13.06	0.24	(0.06)	(0.22)	1.25	1.21	—	(0.15)	—	—	(0.15)	14.13
Dec. 31, 2015	14.34	0.48	(0.13)	(0.67)	(0.75)	(1.07)	—	(0.21)	—	—	(0.21)	13.06
Dec. 31, 2014	13.52	0.60	(0.14)	1.13	(0.85)	0.74	—	(0.28)	(0.01)	—	(0.29)	14.34
Dec. 31, 2013	11.82	0.40	(0.12)	1.11	0.56	1.95	—	(0.28)	—	—	(0.28)	13.51
Dec. 31, 2012	10.78	0.42	(0.11)	0.27	0.75	1.33	—	(0.29)	—	—	(0.29)	11.82
Dec. 31, 2011	11.34	0.42	(0.10)	0.41	(1.05)	(0.32)	—	(0.28)	—	—	(0.28)	10.78
Series O												
June 30, 2016	12.91	0.23	—	(0.22)	1.24	1.25	—	(0.18)	—	—	(0.18)	13.99
Dec. 31, 2015	14.30	0.48	(0.01)	(0.67)	(0.75)	(0.95)	(0.01)	(0.44)	—	—	(0.45)	12.91
Dec. 31, 2014	13.42	0.38	(0.01)	0.72	(0.54)	0.55	—	(0.35)	(0.01)	—	(0.36)	14.30
Dec. 31, 2013	11.71	0.40	(0.01)	1.10	0.56	2.05	—	(0.35)	—	—	(0.35)	13.42
Dec. 31, 2012	10.64	0.41	(0.01)	0.26	0.73	1.39	—	(0.35)	—	—	(0.35)	11.71
Dec. 31, 2011	11.21	0.41	(0.01)	0.40	(1.04)	(0.24)	—	(0.39)	—	—	(0.39)	10.64

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	14.14	4 519	320	2.03⁴	2.03	226.32	0.45
Dec. 31, 2015	13.05	4 880	374	2.03	2.03	207.29	0.48
Dec. 31, 2014	14.35	6 152	429	2.03	2.03	169.49	0.46
Dec. 31, 2013	13.52	5 619	416	2.03	2.03	187.07	0.53
Dec. 31, 2012	11.82	4 999	423	2.04	2.04	164.47	0.50
Dec. 31, 2011	10.72	4 989	465	2.06	2.06	267.31	0.84
Advisor Series							
June 30, 2016	14.14	840	59	2.03⁴	2.03	226.32	0.45
Dec. 31, 2015	13.05	939	72	2.03	2.03	207.29	0.48
Dec. 31, 2014	14.35	1 334	93	2.03	2.03	169.49	0.46
Dec. 31, 2013	13.52	1 286	95	2.03	2.03	187.07	0.53
Dec. 31, 2012	11.82	559	47	2.04	2.04	164.47	0.50
Dec. 31, 2011	10.72	507	47	2.06	2.06	267.31	0.84
Series D							
June 30, 2016	14.12	58 439	4 139	1.19⁴	1.19	226.32	0.45
Dec. 31, 2015	13.04	57 305	4 395	1.19	1.19	207.29	0.48
Dec. 31, 2014	14.31	75 124	5 251	1.19	1.19	169.49	0.46
Dec. 31, 2013	13.47	73 018	5 421	1.20	1.20	187.07	0.53
Dec. 31, 2012	11.78	81 791	6 943	1.22	1.22	164.47	0.50
Dec. 31, 2011	10.72	88 068	8 218	1.23	1.23	267.31	0.84
Series F							
June 30, 2016	14.13	1 045	74	0.94⁴	0.94	226.32	0.45
Dec. 31, 2015	13.06	1 265	97	0.93	0.93	207.29	0.48
Dec. 31, 2014	14.34	938	65	0.96	0.96	169.49	0.46
Dec. 31, 2013	13.52	733	54	0.95	0.95	187.07	0.53
Dec. 31, 2012	11.84	552	47	0.95	0.95	164.47	0.50
Dec. 31, 2011	10.80	939	87	0.96	0.96	267.31	0.84
Series O							
June 30, 2016	13.99	840 056	60 042	0.07	0.07	226.32	0.45
Dec. 31, 2015	12.91	920 098	71 280	0.07	0.07	207.29	0.48
Dec. 31, 2014	14.30	754 281	52 761	0.07	0.07	169.49	0.46
Dec. 31, 2013	13.42	98 535	7 340	0.07	0.07	187.07	0.53
Dec. 31, 2012	11.73	64 268	5 480	0.07	0.07	164.47	0.50
Dec. 31, 2011	10.66	29 938	2 808	0.07	0.07	267.31	0.84

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.86%, Advisor Series – 1.86%, Series D – 1.03% and Series F – 0.77%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

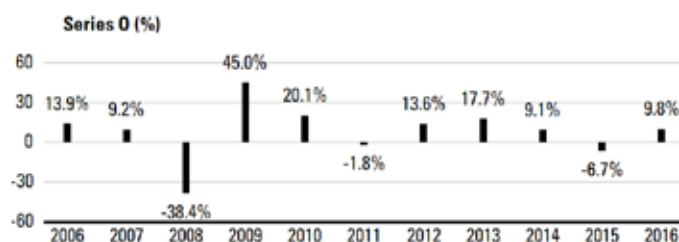
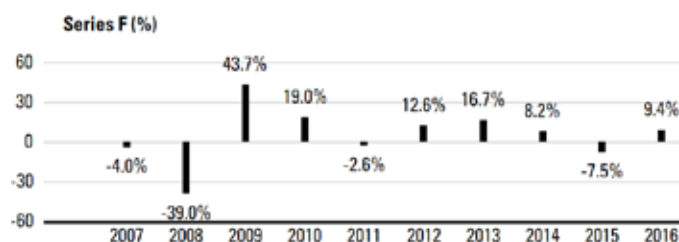
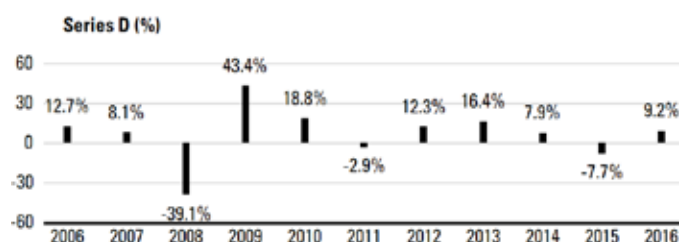
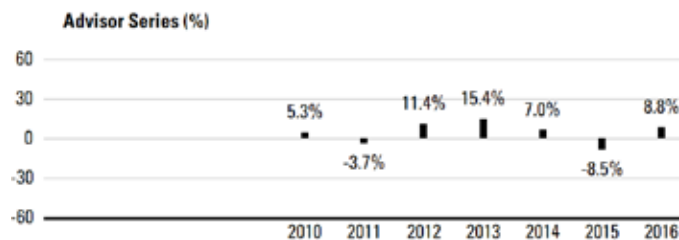
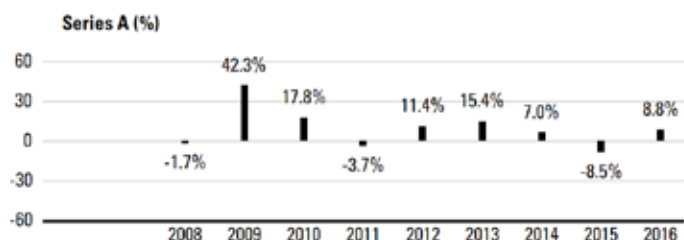
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

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Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Financials	41.8
Energy	17.8
Consumer Discretionary	8.6
Consumer Staples	6.2
Industrials	5.7
Materials	5.4
Telecommunication Services	3.7
Utilities	2.9
Information Technology	1.6
Bonds	1.3
Cash/Other	5.0

Top 25 Holdings

	% of Net Asset Value
Toronto-Dominion Bank	8.9
Royal Bank of Canada	8.1
Bank of Nova Scotia	5.6
Cash & Cash Equivalents	4.7
Manulife Financial Corporation	3.8
Brookfield Asset Management Inc., Class A	3.8
Enbridge Inc.	3.6
Alimentation Couche-Tard Inc.	3.6
Rogers Communications Inc., Class B	2.7
CI Financial Corp.	2.6
PrairieSky Royalty Ltd.	2.5
Franco-Nevada Corp.	2.4
Goldcorp Inc.	2.3
National Bank of Canada	2.0
Dollarama Inc.	2.0
Fortis Inc.	1.8
Pembina Pipeline Corp.	1.7
Brookfield Property Partners LP	1.7
TransCanada Corp., Subscription Receipts	1.6
ARC Resources Ltd.	1.6
Gildan Activewear Inc., Class A	1.5
Suncor Energy Inc.	1.5
Thomson Corp.	1.5
Empire Co. Ltd., Class A	1.4
Canadian National Railway Co.	1.3
Top 25 Holdings	74.2

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
VINTAGE FUND**

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth and dividend income by investing primarily in a well-diversified portfolio of Canadian common stocks listed on the TSX. To achieve the Fund's investment objective, the portfolio manager focuses on companies that earned a return on shareholders equity that is above average within their industry over the previous five to 10 years and maintained financial strength. The Fund's investments may also emphasize small-capitalization securities when valuation levels are attractive.

Results of Operations

The Fund's net asset value was \$56 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 9.3%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Canadian stocks began the year with significant declines as prices for oil and some other commodities fell to multi-year lows. However, the Canadian equity market rebounded beginning in February along with a recovery in oil and gold prices and finished the period in positive territory.

Energy was the Fund's best-performing sector during the period, due primarily to strong security selection. Stocks of companies that explore for and produce oil and gas led the sector higher. The Fund's overweight positions in Seven Generations, ARC Resources and Crescent Point Energy contributed to relative performance. The Consumer Discretionary sector was the second-largest contributor to performance due to strong security selection.

The Fund's relative lack of exposure to surging gold stocks was negative for the Fund's performance. The absence in the portfolio of Barrick Gold and Yamana Gold, two large-cap gold companies, held back returns.

Recent Developments

Slow economic growth and heightened levels of uncertainty are creating a challenging environment for investors. While the overall backdrop seems slightly less murky than a quarter ago, the list of threats to the economy and capital markets remains extensive and clustered to the downside. Profit growth has yet to recover, although there are signs that earnings may now be stabilizing, and the geopolitical and financial risks on the horizon are varied. Most prominent of late was the U.K. vote to leave the EU. The main risks associated with the decision come from transmission via financial conditions in the near term and political developments in the long term. Globally, the prospect of better growth over the second half of 2016 and into 2017 now appears much less certain.

Effective June 30, 2016, management fees were reduced as follows: from 2.00% to 1.85% for Series C and Advisor Series units; from 1.25% to 1.10% for Series D units; and from 1.00% to 0.85% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$4,000 (2015 – \$0), or 11% (2015 – 0%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total		
Series A													
June 30, 2016	24.41	0.34	(0.29)	(0.30)	2.27	2.02	—	—	—	—	—	26.39	
Dec. 31, 2015	27.22	0.70	(0.61)	0.30	(3.39)	(3.00)	—	—	—	—	—	24.41	
Dec. 31, 2014	24.50	0.57	(0.62)	3.34	(0.73)	2.56	—	—	—	—	—	27.22	
Dec. 31, 2013	18.37	0.42	(0.49)	1.53	4.64	6.10	—	—	—	—	—	24.47	
Dec. 31, 2012	17.11	0.40	(0.40)	0.01	1.20	1.21	—	—	—	—	—	18.37	
Dec. 31, 2011	19.48	0.46	(0.42)	0.47	(2.73)	(2.22)	—	—	—	—	—	17.11	
Advisor Series													
June 30, 2016	24.44	0.34	(0.29)	(0.30)	2.27	2.02	—	—	—	—	—	26.42	
Dec. 31, 2015	27.25	0.70	(0.61)	0.30	(3.38)	(2.99)	—	—	—	—	—	24.44	
Dec. 31, 2014	24.53	0.56	(0.63)	3.31	(0.72)	2.52	—	—	—	—	—	27.25	
Dec. 31, 2013	18.37	0.39	(0.51)	1.45	4.38	5.71	—	—	—	—	—	24.50	
Dec. 31, 2012	17.11	0.40	(0.40)	0.01	1.20	1.21	—	—	—	—	—	18.37	
Dec. 31, 2011	19.48	0.46	(0.42)	0.47	(2.73)	(2.22)	—	—	—	—	—	17.11	
Series D													
June 30, 2016	25.37	0.36	(0.19)	(0.31)	2.36	2.22	—	—	—	—	—	27.54	
Dec. 31, 2015	28.25	0.73	(0.41)	0.32	(3.53)	(2.89)	—	(0.17)	—	—	(0.17)	25.37	
Dec. 31, 2014	25.26	0.60	(0.40)	3.52	(0.77)	2.95	—	(0.06)	—	—	(0.06)	28.25	
Dec. 31, 2013	18.79	0.43	(0.32)	1.57	4.77	6.45	—	—	—	—	—	25.23	
Dec. 31, 2012	17.36	0.41	(0.27)	0.01	1.23	1.38	—	—	—	—	—	18.79	
Dec. 31, 2011	19.62	0.47	(0.27)	0.48	(2.76)	(2.08)	—	—	—	—	—	17.36	
Series F													
June 30, 2016	26.37	0.37	(0.16)	(0.32)	2.45	2.34	—	—	—	—	—	28.67	
Dec. 31, 2015	29.37	0.75	(0.36)	0.33	(3.65)	(2.93)	—	(0.24)	—	—	(0.24)	26.37	
Dec. 31, 2014	26.25	0.61	(0.35)	3.57	(0.78)	3.05	—	(0.12)	—	—	(0.12)	29.37	
Dec. 31, 2013	19.52	0.44	(0.27)	1.63	4.95	6.75	—	(0.06)	—	—	(0.06)	26.22	
Dec. 31, 2012	17.98	0.43	(0.22)	0.01	1.28	1.50	—	—	—	—	—	19.52	
Dec. 31, 2011	20.25	0.48	(0.23)	0.49	(2.81)	(2.07)	—	—	—	—	—	17.98	
Series O													
June 30, 2016	27.56	0.39	(0.01)	(0.34)	2.57	2.61	—	—	—	—	—	30.13	
Dec. 31, 2015	30.70	0.79	(0.02)	0.34	(3.83)	(2.72)	—	(0.58)	—	—	(0.58)	27.56	
Dec. 31, 2014	27.42	0.65	(0.02)	3.82	(0.84)	3.61	—	(0.46)	—	—	(0.46)	30.70	
Dec. 31, 2013	20.38	0.47	(0.02)	1.72	5.22	7.39	—	(0.35)	—	—	(0.35)	27.40	
Dec. 31, 2012	18.57	0.44	(0.01)	0.01	1.30	1.74	—	—	—	—	—	20.38	
Dec. 31, 2011	20.68	0.50	(0.01)	0.51	(2.93)	(1.93)	—	—	—	—	—	18.57	

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	26.39	1 773	67	2.31⁴	2.32	56.01	0.14
Dec. 31, 2015	24.41	1 781	73	2.27	2.28	41.32	0.11
Dec. 31, 2014	27.22	2 160	79	2.29	2.30	59.45	0.11
Dec. 31, 2013	24.50	529	22	2.30	2.30	60.77	0.13
Dec. 31, 2012	18.43	186	10	2.27	2.27	66.68	0.23
Dec. 31, 2011	17.14	415	24	2.27	2.27	138.78	0.45
Advisor Series							
June 30, 2016	26.42	714	27	2.30⁴	2.30	56.01	0.14
Dec. 31, 2015	24.44	453	19	2.27	2.28	41.32	0.11
Dec. 31, 2014	27.25	500	18	2.29	2.30	59.45	0.11
Dec. 31, 2013	24.53	40	2	2.30	2.30	60.77	0.13
Dec. 31, 2012	18.43	46	2	2.27	2.27	66.68	0.23
Dec. 31, 2011	17.14	35	2	2.27	2.27	138.78	0.45
Series D							
June 30, 2016	27.54	31 281	1 136	1.45⁴	1.46	56.01	0.14
Dec. 31, 2015	25.37	31 096	1 226	1.45	1.46	41.32	0.11
Dec. 31, 2014	28.25	37 446	1 326	1.45	1.46	59.45	0.11
Dec. 31, 2013	25.26	34 678	1 373	1.47	1.47	60.77	0.13
Dec. 31, 2012	18.85	28 550	1 515	1.50	1.50	66.68	0.23
Dec. 31, 2011	17.40	31 231	1 795	1.51	1.51	138.78	0.45
Series F							
June 30, 2016	28.67	829	29	1.18⁴	1.18	56.01	0.14
Dec. 31, 2015	26.37	2 585	98	1.22	1.23	41.32	0.11
Dec. 31, 2014	29.37	1 685	57	1.19	1.20	59.45	0.11
Dec. 31, 2013	26.25	130	5	1.20	1.20	60.77	0.13
Dec. 31, 2012	19.58	100	5	1.18	1.18	66.68	0.23
Dec. 31, 2011	18.01	118	7	1.17	1.17	138.78	0.45
Series O							
June 30, 2016	30.13	21 108	701	0.06	0.07	56.01	0.14
Dec. 31, 2015	27.56	16 583	602	0.06	0.07	41.32	0.11
Dec. 31, 2014	30.70	8 741	285	0.06	0.07	59.45	0.11
Dec. 31, 2013	27.42	4 677	171	0.07	0.07	60.77	0.13
Dec. 31, 2012	20.45	2 254	110	0.08	0.08	66.68	0.23
Dec. 31, 2011	18.61	5 012	269	0.08	0.08	138.78	0.45

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.14%, Advisor Series – 2.14%, Series D – 1.29% and Series F – 1.02%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.85%	50%	50%
Advisor Series	1.85%	50%	50%
Series D	1.10%	20%	80%
Series F	0.85%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

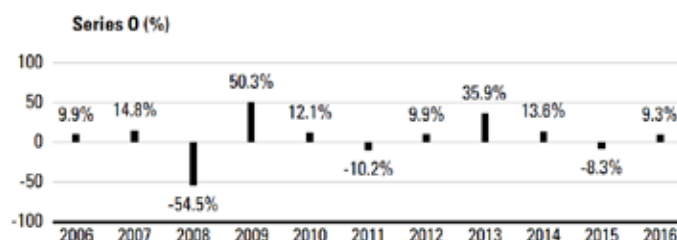
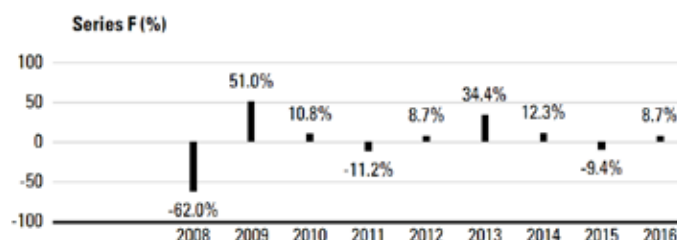
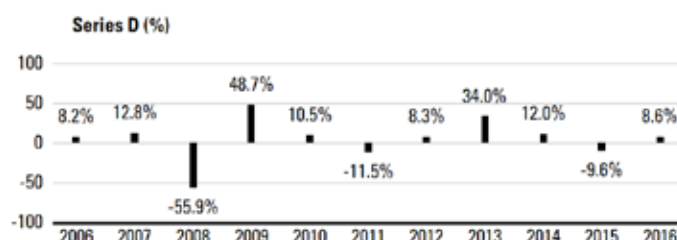
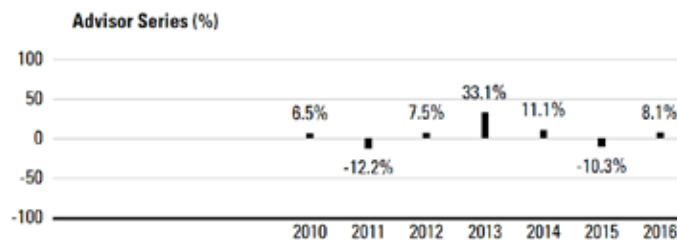
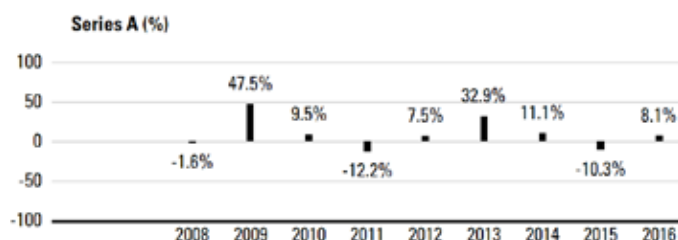
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2008.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO*(after consideration of derivative products, if any)**As at June 30, 2016***Investment Mix**

	% of Net Asset Value
Financials	37.7
Energy	20.7
Consumer Discretionary	11.8
Industrials	10.8
Materials	6.7
Information Technology	4.5
Consumer Staples	4.0
Utilities	1.6
Telecommunication Services	1.5
Cash/Other	0.7

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	6.7
Toronto-Dominion Bank	5.9
Bank of Nova Scotia	5.1
Enbridge Inc.	4.0
Manulife Financial Corporation	3.7
Brookfield Asset Management Inc., Class A	3.3
Element Financial Corp.	3.2
Badger Daylighting Ltd.	2.9
Alimentation Couche-Tard Inc.	2.6
Pembina Pipeline Corp.	2.1
Tourmaline Oil Corp.	2.0
Home Capital Group Inc.	2.0
Gildan Activewear Inc., Class A	1.9
Canadian Natural Resources Ltd.	1.8
Canaccord Genuity Group Inc.	1.8
CGI Group Inc., Class A	1.8
PrairieSky Royalty Ltd.	1.7
Stantec Inc.	1.6
Quebecor Inc., Class B	1.6
Franco-Nevada Corp.	1.5
Sleep Country Canada Holdings Inc.	1.5
CI Financial Corp.	1.5
National Bank of Canada	1.4
ARC Resources Ltd.	1.4
Canadian National Railway Co.	1.4
Top 25 Holdings	64.4

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

U.S. EQUITY FUND

PHILLIPS, HAGER & NORTH
U.S. DIVIDEND INCOME FUND

June 30, 2016

Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

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Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

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Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks to provide investors with long-term capital growth and income by investing primarily in a well-diversified portfolio of dividend income-producing U.S. securities that have a relatively high yield. To achieve the Fund's investment objective, the portfolio manager invests primarily in large-capitalization dividend-paying U.S. common shares and, to a lesser extent, preferred shares and bonds.

Results of Operations

The Fund's net asset value was \$189 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 0.1%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The U.S. stock market posted modest returns during the first half of 2016 after recovering from significant declines early in the year. The rebound was driven by a surge in the price of oil, which almost doubled from its February low, a pause in the U.S. dollar's long-term rally and stabilization in Chinese economic data. These forces combined to reduce the likelihood of an imminent credit crisis in China or other emerging markets, which could have negatively impacted the U.S. economic outlook. In addition to the stock recovery, corporate bonds rallied, especially in the Energy sector, and commodities staged impressive price gains.

Telecommunication Services, Utilities and Consumer Staples were the best-performing sectors in the Fund this year with notable help from the Health Care sector, where Johnson & Johnson and insurer UnitedHealth moved higher as investors sought companies with stable earnings and decent growth prospects. Underweight positions in the Information Technology and Consumer Discretionary sectors aided returns. Strong stock selection in the Consumer Staples, Health Care and Telecommunication Services sectors also contributed to performance. Altria led the way in the Consumer Staples sector given its consistent high-single-digit earnings growth, high dividend yield and significant buyback. In the Telecommunication Services sector, the attractive dividend yields of AT&T and Verizon drove stellar first-half results. Other notable performers included life insurer Aflac, data-centre operator DuPont Fabros Technology and the renewables-focused utility NextEra Energy.

The Fund's performance was hurt by holdings in the Information Technology sector, where disappointing financial results at both Apple Inc. and Microsoft led to their underperformance. The Fund's overweight position in basic-chemicals maker LyondellBasell also hurt returns as investors cut estimates for global growth. Poor stock

selection in the Financials sector held back returns at Wells Fargo and KeyBank, whose interest income may be squeezed by low rates.

Portfolio turnover was relatively high for the Fund, as the portfolio manager attempted to generate better returns through active fund management.

Recent Developments

In the portfolio manager's opinion, the stock market is priced as if we are in the later stages of the economic cycle. The U.K.'s decision to exit the EU has increased the level of uncertainty and volatility in the markets and will likely lead to a moderation in growth. The portfolio manager has positioned the Fund to protect against a slowdown in economic growth given the recent advance and the still-tepid prospects for growth.

Effective June 30, 2016, management fees were reduced as follows: from 1.75% to 1.60% for Series C and Advisor Series units; from 1.00% to 0.85% for Series D units; and from 0.75% to 0.60% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions***Manager and Portfolio Manager***

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$19,000 (2015 – \$22,000), or 21% (2015 – 47%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series A												
June 30, 2016	13.52	0.17	(0.13)	0.82	(0.99)	(0.13)	—	—	—	—	—	13.41
Dec. 31, 2015	12.08	0.41	(0.26)	1.37	0.06	1.58	—	(0.15)	—	—	(0.15)	13.52
Dec. 31, 2014	10.26	0.30	(0.23)	1.56	0.24	1.87	—	(0.07)	—	—	(0.07)	12.08
Dec. 31, 2013	7.54	0.23	(0.19)	0.44	2.20	2.68	—	(0.03)	—	—	(0.03)	10.26
Dec. 31, 2012	6.93	0.21	(0.15)	0.05	0.51	0.62	—	(0.04)	—	—	(0.04)	7.54
Dec. 31, 2011	6.87	0.19	(0.13)	(0.30)	0.36	0.12	—	(0.05)	—	—	(0.05)	6.93
Advisor Series												
June 30, 2016	13.52	0.17	(0.13)	0.82	(0.99)	(0.13)	—	—	—	—	—	13.41
Dec. 31, 2015	12.08	0.41	(0.26)	1.37	0.06	1.58	—	(0.15)	—	—	(0.15)	13.52
Dec. 31, 2014	10.26	0.30	(0.23)	1.56	0.24	1.87	—	(0.07)	—	—	(0.07)	12.08
Dec. 31, 2013	7.54	0.22	(0.19)	0.43	2.17	2.63	—	(0.03)	—	—	(0.03)	10.26
Dec. 31, 2012	6.93	0.21	(0.15)	0.05	0.51	0.62	—	(0.04)	—	—	(0.04)	7.54
Dec. 31, 2011	6.87	0.19	(0.13)	(0.30)	0.36	0.12	—	(0.05)	—	—	(0.05)	6.93
Series D												
June 30, 2016	13.43	0.17	(0.08)	0.82	(0.99)	(0.08)	—	—	—	—	—	13.38
Dec. 31, 2015	12.01	0.41	(0.15)	1.37	0.06	1.69	—	(0.27)	—	—	(0.27)	13.43
Dec. 31, 2014	10.20	0.30	(0.13)	1.56	0.24	1.97	—	(0.17)	—	—	(0.17)	12.01
Dec. 31, 2013	7.49	0.23	(0.11)	0.44	2.22	2.78	—	(0.12)	—	—	(0.12)	10.20
Dec. 31, 2012	6.89	0.21	(0.09)	0.05	0.52	0.69	—	(0.10)	—	—	(0.10)	7.49
Dec. 31, 2011	6.83	0.19	(0.08)	(0.30)	0.36	0.17	—	(0.10)	—	—	(0.10)	6.89
Series F												
June 30, 2016	13.40	0.17	(0.06)	0.82	(0.99)	(0.06)	—	—	—	—	—	13.36
Dec. 31, 2015	11.98	0.41	(0.12)	1.37	0.06	1.72	—	(0.30)	—	—	(0.30)	13.40
Dec. 31, 2014	10.17	0.30	(0.10)	1.56	0.24	2.00	—	(0.20)	—	—	(0.20)	11.98
Dec. 31, 2013	7.47	0.23	(0.09)	0.44	2.20	2.78	—	(0.14)	—	—	(0.14)	10.17
Dec. 31, 2012	6.87	0.21	(0.07)	0.05	0.51	0.70	—	(0.12)	—	—	(0.12)	7.47
Dec. 31, 2011	6.81	0.19	(0.06)	(0.30)	0.36	0.19	—	(0.12)	—	—	(0.12)	6.87
Series O												
June 30, 2016	13.44	0.17	—	0.82	(0.99)	—	—	—	—	—	—	13.46
Dec. 31, 2015	12.02	0.41	(0.01)	1.37	0.06	1.83	—	(0.43)	—	—	(0.43)	13.44
Dec. 31, 2014	10.21	0.30	(0.01)	1.57	0.24	2.10	—	(0.30)	—	—	(0.30)	12.02
Dec. 31, 2013	7.49	0.23	(0.01)	0.44	2.22	2.88	—	(0.23)	—	—	(0.23)	10.20
Dec. 31, 2012	6.89	0.21	(0.01)	0.05	0.52	0.77	—	(0.19)	—	—	(0.19)	7.49
Dec. 31, 2011	6.83	0.19	(0.01)	(0.31)	0.36	0.23	—	(0.18)	—	—	(0.18)	6.89

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	13.41	12 267	915	2.03⁴	2.03	115.51	0.09
Dec. 31, 2015	13.52	12 974	959	2.04	2.04	76.34	0.07
Dec. 31, 2014	12.08	11 575	958	2.05	2.05	47.76	0.07
Dec. 31, 2013	10.26	9 137	890	2.07	2.07	27.71	0.06
Dec. 31, 2012	7.54	3 366	447	2.00	2.00	17.96	0.05
Dec. 31, 2011	6.93	1 280	185	2.06	2.06	16.34	0.04
Advisor Series							
June 30, 2016	13.41	10 498	783	2.03⁴	2.03	115.51	0.09
Dec. 31, 2015	13.52	12 585	931	2.04	2.04	76.34	0.07
Dec. 31, 2014	12.08	11 345	939	2.05	2.05	47.76	0.07
Dec. 31, 2013	10.26	7 286	710	2.07	2.07	27.71	0.06
Dec. 31, 2012	7.54	1 781	236	2.00	2.00	17.96	0.05
Dec. 31, 2011	6.93	161	23	2.06	2.06	16.34	0.04
Series D							
June 30, 2016	13.38	73 160	5 468	1.19⁴	1.19	115.51	0.09
Dec. 31, 2015	13.43	78 132	5 816	1.19	1.19	76.34	0.07
Dec. 31, 2014	12.01	68 368	5 694	1.19	1.19	47.76	0.07
Dec. 31, 2013	10.20	59 344	5 818	1.19	1.19	27.71	0.06
Dec. 31, 2012	7.49	48 677	6 496	1.22	1.22	17.96	0.05
Dec. 31, 2011	6.89	40 757	5 915	1.22	1.22	16.34	0.04
Series F							
June 30, 2016	13.36	8 617	645	0.94⁴	0.94	115.51	0.09
Dec. 31, 2015	13.40	7 349	548	0.94	0.94	76.34	0.07
Dec. 31, 2014	11.98	4 597	384	0.94	0.94	47.76	0.07
Dec. 31, 2013	10.17	3 336	328	0.94	0.94	27.71	0.06
Dec. 31, 2012	7.47	1 479	198	0.96	0.96	17.96	0.05
Dec. 31, 2011	6.87	613	89	0.96	0.96	16.34	0.04
Series O							
June 30, 2016	13.46	84 364	6 269	0.08	0.08	115.51	0.09
Dec. 31, 2015	13.44	90 426	6 729	0.08	0.08	76.34	0.07
Dec. 31, 2014	12.02	94 196	7 837	0.08	0.08	47.76	0.07
Dec. 31, 2013	10.21	88 273	8 649	0.08	0.08	27.71	0.06
Dec. 31, 2012	7.50	46 065	6 145	0.08	0.08	17.96	0.05
Dec. 31, 2011	6.89	37 502	5 440	0.08	0.08	16.34	0.04

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.87%, Advisor Series – 1.87%, Series D – 1.02% and Series F – 0.77%.

FINANCIAL HIGHLIGHTS (cont.)**Management Fees**

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

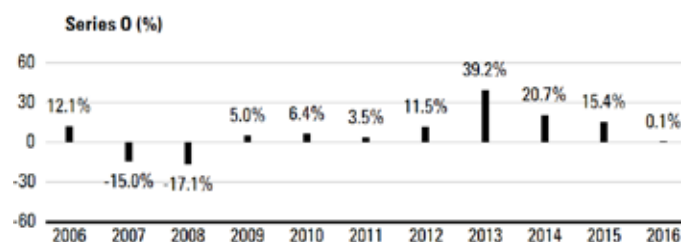
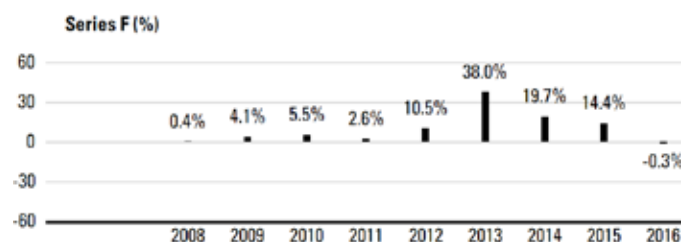
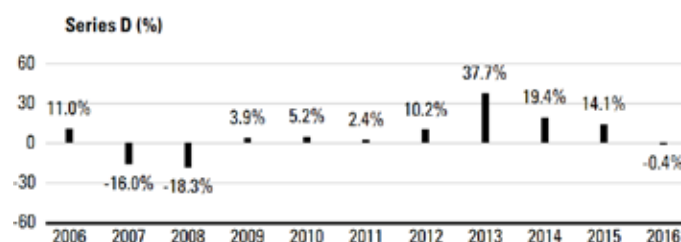
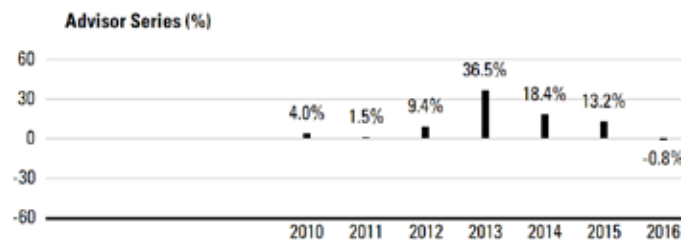
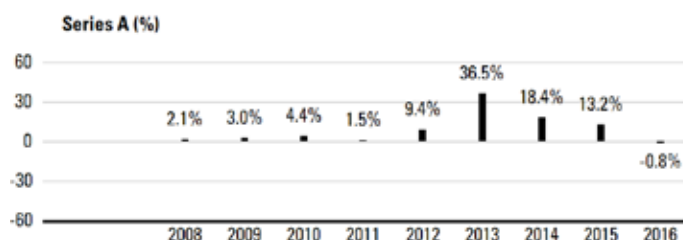
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since October 2008.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Health Care	16.5
Information Technology	16.0
Financials	15.1
Consumer Staples	14.9
Energy	7.9
Telecommunication Services	6.1
Utilities	5.3
Industrials	4.4
Consumer Discretionary	4.3
Index Funds	3.2
Materials	1.9
Cash/Other	4.4

Top 25 Holdings

	% of Net Asset Value
Microsoft Corp.	4.9
Johnson & Johnson	4.7
Cash & Cash Equivalents	4.4
AT&T Inc.	4.0
PepsiCo Inc.	3.7
Altria Group Inc.	3.4
JPMorgan Chase & Co.	3.3
UnitedHealth Group Incorporated	3.2
Occidental Petroleum Corp.	3.1
Chevron Corp.	3.1
Apple Inc.	2.8
CVS Health Corp.	2.8
Simon Property Group Inc.	2.5
Pfizer Inc.	2.5
Medtronic Plc.	2.4
Philip Morris International Inc.	2.3
Verizon Communications Inc.	2.2
McDonald's Corp.	2.2
General Electric Company	2.1
NextEra Energy Inc.	2.1
Wells Fargo & Company	2.0
Cisco Systems Inc.	2.0
Cardinal Health Inc.	1.9
Intel Corp.	1.8
Oracle Corporation	1.8
Top 25 Holdings	71.2

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

U.S. EQUITY FUND

PHILLIPS, HAGER & NORTH
U.S. MULTI-STYLE ALL-CAP
EQUITY FUND

 June 30, 2016
Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

Sub-Advisor: RBC Global Asset Management (U.S.) Inc.

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND****MANAGEMENT DISCUSSION OF FUND PERFORMANCE****Investment Objective and Strategies**

The Fund seeks to provide investors with long-term capital growth by investing in shares of high-quality U.S. companies. To achieve the Fund's investment objective, the portfolio manager invests in quality businesses that have a sustainable competitive advantage, a history of profitability, a solid financial position, opportunities for growth, and a capable management team. Emphasis is placed on a stock's valuation, with effort to select those with relatively low valuations, given the breadth of the U.S. market.

Results of Operations

The Fund's net asset value was \$4.2 billion as of June 30, 2016.

Over the past six months, the Fund's Series O units lost 5.5%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

U.S. economic growth continued to lead the world's developed markets. U.S. stocks fluctuated over the period, as macro-economic concerns mounted. The U.S. domestic economy grew modestly, while inflation and interest rates remained near historically low levels. Steady improvement in U.S. housing and employment buoyed U.S. growth. The main issue facing investors during the period was the debate leading up to the U.K. vote on whether to leave the EU ("Brexit"), and its impact on markets when voters opted for Brexit in late June.

The Large Cap Value strategy underperformed the Russell Top 200 Value Index during the period. Favourable stock selection in the Information Technology, Consumer Staples and Health Care sectors aided returns. However, security selection in the Industrials and Utilities sectors negatively affected returns.

The Mid Cap Growth component's outperformance was due to favourable stock selection in the Health Care, Consumer Discretionary, Consumer Staples and Industrials sectors, while security selection in Financials and Energy weighed on the Fund's performance. The portfolio's overweight allocation to the strongly performing Energy sector, along with a significant underweight in the Consumer Discretionary sector, aided returns.

The Small Cap Value sleeve outperformed its benchmark, the Russell 2000 Value Index, primarily due to favourable stock selection, while overall sector allocation contributed moderately to performance. Favourable stock picks in Health Care, along with a significant underweight position in the sector, were the largest contributors during the period. Stock selection in the Information Technology and Financials sectors held back returns.

Portfolio turnover is normally high for this Fund, as the portfolio manager attempts to generate better returns through active sector and stock selection.

Recent Developments

The portfolio manager remains optimistic that U.S. equity markets will benefit from improving corporate profits and modest inflation in 2016. While U.S. company valuations have risen, they still offer the potential for moderate returns given the economic environment. The portfolio manager expects earnings to rebound as the rise in the U.S. dollar moderates and energy prices stabilize, while low inflation allows interest rates to remain in a range that supports economic growth. The bulk of recent equity market gains have been delivered through expanding valuations. In the view of the portfolio manager, earnings growth is now critical to keeping the bull market alive.

Effective June 30, 2016, management fees were reduced as follows: from 1.75% to 1.60% for Series C and Advisor Series units; from 1.00% to 0.85% for Series D units; and from 0.75% to 0.60% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions***Manager and Portfolio Manager***

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Sub-Advisor

RBC Global Asset Management (U.S.) Inc. is the sub-advisor and provides investment advice for the Fund.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND*****Registrars***

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$15,000 (2015 – \$36,000), or 1% (2015 – 2%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series A												
June 30, 2016	16.05	0.14	(0.15)	0.02	(0.95)	(0.94)	—	—	—	—	—	15.02
Dec. 31, 2015	14.95	0.31	(0.33)	2.16	0.31	2.45	—	—	(1.51)	—	(1.51)	16.05
Dec. 31, 2014	14.16	0.23	(0.31)	2.25	0.73	2.90	—	—	(1.96)	—	(1.96)	14.95
Dec. 31, 2013	11.35	0.21	(0.28)	1.99	2.38	4.30	—	—	(1.44)	—	(1.44)	14.16
Dec. 31, 2012	11.15	0.22	(0.24)	0.86	0.16	1.00	—	—	(0.83)	—	(0.83)	11.35
Dec. 31, 2011	11.28	0.16	(0.21)	(0.07)	0.01	(0.11)	—	—	—	—	—	11.15
Advisor Series												
June 30, 2016	16.06	0.14	(0.15)	0.02	(0.95)	(0.94)	—	—	—	—	—	15.03
Dec. 31, 2015	14.96	0.31	(0.33)	2.18	0.31	2.47	—	—	(1.51)	—	(1.51)	16.06
Dec. 31, 2014	14.16	0.23	(0.31)	2.25	0.73	2.90	—	—	(1.96)	—	(1.96)	14.96
Dec. 31, 2013	11.35	0.21	(0.28)	1.99	2.38	4.30	—	—	(1.44)	—	(1.44)	14.16
Dec. 31, 2012	11.15	0.22	(0.24)	0.86	0.16	1.00	—	—	(0.83)	—	(0.83)	11.35
Dec. 31, 2011	11.28	0.16	(0.21)	(0.07)	0.01	(0.11)	—	—	—	—	—	11.15
Series D												
June 30, 2016	16.74	0.15	(0.09)	0.02	(1.00)	(0.92)	—	—	—	—	—	15.73
Dec. 31, 2015	15.48	0.31	(0.20)	2.22	0.32	2.65	—	(0.04)	(1.56)	—	(1.60)	16.74
Dec. 31, 2014	14.49	0.24	(0.18)	2.31	0.75	3.12	—	(0.01)	(1.96)	—	(1.97)	15.48
Dec. 31, 2013	11.55	0.21	(0.16)	2.04	2.44	4.53	—	(0.04)	(1.47)	—	(1.51)	14.49
Dec. 31, 2012	11.27	0.23	(0.15)	0.88	0.16	1.12	—	(0.06)	(0.80)	—	(0.86)	11.55
Dec. 31, 2011	11.33	0.16	(0.13)	(0.07)	0.01	(0.03)	—	(0.02)	—	—	(0.02)	11.27
Series F												
June 30, 2016	16.69	0.15	(0.07)	0.02	(0.99)	(0.89)	—	—	—	—	—	15.71
Dec. 31, 2015	15.45	0.32	(0.16)	2.23	0.32	2.71	—	(0.08)	(1.57)	—	(1.65)	16.69
Dec. 31, 2014	14.47	0.24	(0.15)	2.36	0.76	3.21	—	(0.05)	(1.96)	—	(2.01)	15.45
Dec. 31, 2013	11.55	0.21	(0.13)	2.04	2.44	4.56	—	(0.08)	(1.50)	—	(1.58)	14.46
Dec. 31, 2012	11.27	0.22	(0.11)	0.87	0.16	1.14	—	(0.09)	(0.80)	—	(0.89)	11.55
Dec. 31, 2011	11.33	0.16	(0.10)	(0.07)	0.01	—	—	(0.05)	—	—	(0.05)	11.27
Series O												
June 30, 2016	16.35	0.14	—	0.02	(0.97)	(0.81)	—	—	—	—	—	15.45
Dec. 31, 2015	15.16	0.30	(0.01)	2.13	0.31	2.73	—	(0.24)	(1.56)	—	(1.80)	16.35
Dec. 31, 2014	14.22	0.23	(0.01)	2.27	0.73	3.22	—	(0.20)	(1.96)	—	(2.16)	15.16
Dec. 31, 2013	11.34	0.21	(0.01)	2.01	2.41	4.62	—	(0.21)	(1.45)	—	(1.66)	14.22
Dec. 31, 2012	11.07	0.22	(0.01)	0.86	0.16	1.23	—	(0.20)	(0.79)	—	(0.99)	11.34
Dec. 31, 2011	11.13	0.16	(0.01)	(0.07)	0.01	0.09	—	(0.15)	—	—	(0.15)	11.07

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	15.02	2 323	155	2.01⁴	2.01	128.34	0.09
Dec. 31, 2015	16.05	2 558	159	2.02	2.02	133.63	0.12
Dec. 31, 2014	14.95	2 271	152	2.02	2.02	165.12	0.17
Dec. 31, 2013	14.16	1 878	133	2.06	2.06	131.57	0.18
Dec. 31, 2012	11.36	638	56	2.00	2.00	152.97	0.25
Dec. 31, 2011	11.16	448	40	1.95	1.95	218.83	0.41
Advisor Series							
June 30, 2016	15.03	775	52	2.01⁴	2.01	128.34	0.09
Dec. 31, 2015	16.06	870	54	2.02	2.02	133.63	0.12
Dec. 31, 2014	14.96	961	64	2.02	2.02	165.12	0.17
Dec. 31, 2013	14.16	782	55	2.06	2.06	131.57	0.18
Dec. 31, 2012	11.36	464	41	2.00	2.00	152.97	0.25
Dec. 31, 2011	11.16	20	2	1.95	1.95	218.83	0.41
Series D							
June 30, 2016	15.73	28 578	1 816	1.18⁴	1.18	128.34	0.09
Dec. 31, 2015	16.74	34 522	2 062	1.17	1.17	133.63	0.12
Dec. 31, 2014	15.48	20 754	1 341	1.18	1.18	165.12	0.17
Dec. 31, 2013	14.49	14 892	1 027	1.18	1.18	131.57	0.18
Dec. 31, 2012	11.56	7 812	676	1.23	1.23	152.97	0.25
Dec. 31, 2011	11.28	4 131	366	1.20	1.20	218.83	0.41
Series F							
June 30, 2016	15.71	485	31	0.94⁴	0.94	128.34	0.09
Dec. 31, 2015	16.69	459	28	0.95	0.95	133.63	0.12
Dec. 31, 2014	15.45	421	27	0.96	0.96	165.12	0.17
Dec. 31, 2013	14.47	940	65	0.93	0.93	131.57	0.18
Dec. 31, 2012	11.56	121	10	0.93	0.93	152.97	0.25
Dec. 31, 2011	11.28	51	5	0.89	0.89	218.83	0.41
Series O							
June 30, 2016	15.45	4 139 699	267 867	0.06	0.06	128.34	0.09
Dec. 31, 2015	16.35	3 875 711	237 032	0.06	0.06	133.63	0.12
Dec. 31, 2014	15.16	2 211 641	145 900	0.06	0.06	165.12	0.17
Dec. 31, 2013	14.22	1 481 832	104 192	0.06	0.06	131.57	0.18
Dec. 31, 2012	11.35	1 053 848	92 832	0.06	0.06	152.97	0.25
Dec. 31, 2011	11.08	871 508	78 660	0.06	0.06	218.83	0.41

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.85%, Advisor Series – 1.85%, Series D – 1.02% and Series F – 0.78%.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

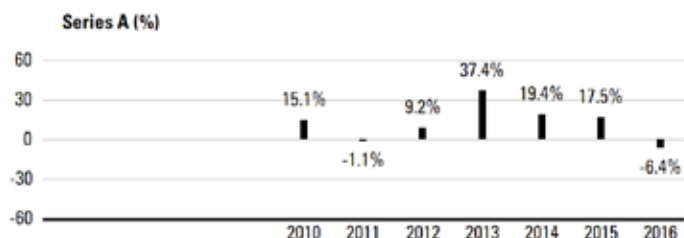
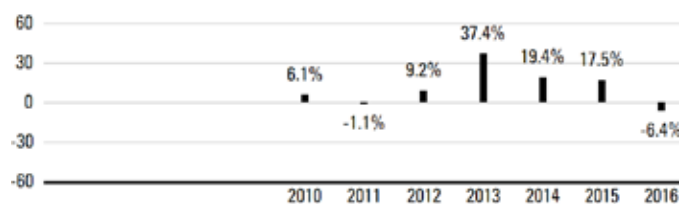
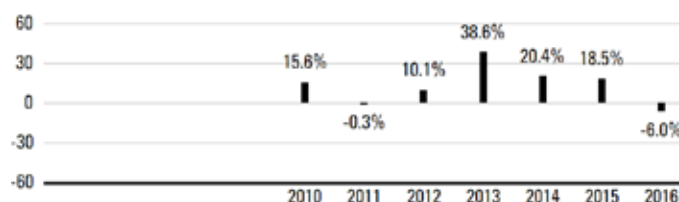
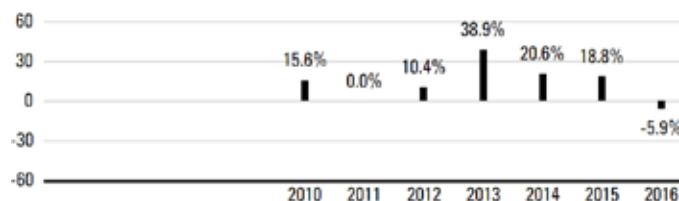
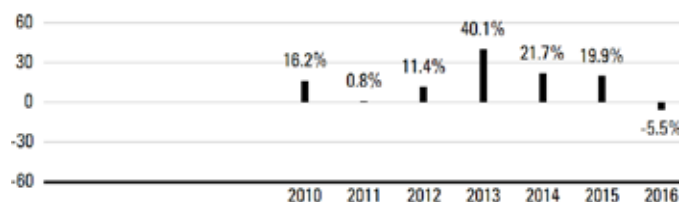
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.


Advisor Series (%)

Series D (%)

Series F (%)

Series O (%)


Advisor Series units have been available for sale to unitholders since October 2010, and Series A, Series D, Series F and Series O units since June 2010.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
SUMMARY OF INVESTMENT PORTFOLIO
(after consideration of derivative products, if any)
As at June 30, 2016
Investment Mix

	% of Net Asset Value
Information Technology	19.6
Financials	17.2
Consumer Discretionary	13.7
Health Care	12.7
Industrials	11.7
Consumer Staples	9.0
Energy	5.7
Utilities	4.4
Materials	3.0
Telecommunication Services	2.1
Cash/Other	0.9

Top 25 Holdings

	% of Net Asset Value
Apple Inc.	2.2
Johnson & Johnson	1.9
Amazon.com, Inc.	1.5
Facebook Inc., Class A	1.4
Home Depot Inc.	1.4
Altria Group Inc.	1.3
Microsoft Corp.	1.3
Alphabet Inc., Class C	1.3
Exxon Mobil Corp.	1.2
The Procter & Gamble Co.	1.2
Verizon Communications Inc.	1.1
Philip Morris International Inc.	1.1
Cisco Systems Inc.	1.0
Bank of America Corp.	1.0
Gilead Sciences Inc.	1.0
Amgen Inc.	1.0
McDonald's Corp.	0.9
Intel Corp.	0.9
Citigroup Inc.	0.9
Accenture Plc., Class A	0.8
The Goldman Sachs Group Inc.	0.8
General Electric Company	0.8
Cash & Cash Equivalents	0.8
Tyson Foods Inc.	0.7
JPMorgan Chase & Co.	0.7
Top 25 Holdings	28.2

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

U.S. EQUITY FUND

PHILLIPS, HAGER & NORTH U.S. EQUITY FUND

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

Sub-Advisor: RBC Global Asset Management (U.S.) Inc.

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth by investing primarily in shares of large-capitalization, high-quality U.S. companies. To achieve the Fund's investment objective, the portfolio manager invests in quality businesses that have a sustainable competitive advantage, a history of profitability, a solid financial position, opportunities for growth, and a capable management team. The portfolio manager places particular emphasis on a company's long-term return on equity, as this measure is a key indicator of a company's ability to consistently generate profits for shareholders. Additional emphasis is placed on a stock's valuation, given the breadth of the U.S. market.

Results of Operations

The Fund's net asset value was \$479 million as of June 30, 2016.

Over the past six months, the Fund's Series O units lost 7.1%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Continued concern over slow global economic growth, the U.K.'s vote in favour of leaving the EU ("Brexit") and uncertainty about the direction of U.S. monetary policy all contributed to broad swings in equity markets during the first half of 2016. Through all this, the U.S. domestic economy continued to grow modestly while inflation and interest rates remained near historically low levels. Steady improvement in U.S. housing and employment markets buoyed U.S. growth. Large-cap stocks underperformed small-cap equities, which benefited from exposure to the relatively strong U.S. economy. Larger companies, which will be affected by Brexit, tend to rely more on foreign markets for profits.

Stock selection was negative for the Fund's performance in the first half of the year, with the Information Technology and Financials sectors hurting relative returns the most. In the Information Technology sector, Skyworks Solutions and Apple Inc. were the Fund's worst-performing stocks. Skyworks, a supplier for Apple's iPhone, had too much inventory as iPhone demand was lacklustre. In the Financials sector, Citigroup and Bank of America underperformed on concern that falling interest rates would squeeze the banks' interest income.

The Fund's management team generally uses a sector-neutral mandate to limit the effects of sector-allocation decisions. However, the Fund had an underweight position in the strong-performing Telecommunication Services sector during the period, and this positioning hurt returns.

Portfolio turnover is normally high for this Fund, as the sub-advisor attempts to generate better returns through active sector and stock selection.

Recent Developments

The sub-advisor remains confident about the Fund's ability to find stocks that will outperform regardless of the market environment. While investment decisions are generally the result of stock selection and the Fund's sector-neutral mandate, there are some industry themes that the sub-advisor believes could lead to outperformance as we head into the third quarter of 2016. For instance, the Fund has an overweight position in food products. In technology, trends continue to favour companies exposed to growth areas such as mobile content, cloud storage and internet software and services. Finally, the Fund is overweight aerospace and defence as, in the view of the sub-advisor, demand in this industry will be steady in a slow-growth environment.

Effective June 30, 2016, management fees were reduced as follows: from 1.75% to 1.60% for Series C and Advisor Series units; from 1.00% to 0.85% for Series D units; and from 0.75% to 0.60% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Sub-Advisor

RBC Global Asset Management (U.S.) Inc. is the sub-advisor and provides investment advice for the Fund.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$0 (2015 – \$30,000), or 0% (2015 – 29%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total		
Series A													
June 30, 2016	57.22	0.47	(0.54)	(0.64)	(4.08)	(4.79)	—	—	—	—	—	52.66	
Dec. 31, 2015	51.52	0.99	(1.13)	13.91	(7.84)	5.93	—	—	—	—	—	57.22	
Dec. 31, 2014	43.64	0.86	(0.97)	10.86	(2.88)	7.87	—	(0.19)	—	—	(0.19)	51.52	
Dec. 31, 2013	31.76	0.62	(0.77)	5.49	6.60	11.94	—	—	—	—	—	43.63	
Dec. 31, 2012	29.40	0.60	(0.62)	0.39	2.07	2.44	—	—	—	—	—	31.76	
Dec. 31, 2011	29.22	0.49	(0.56)	(2.33)	2.50	0.10	—	—	—	—	—	29.40	
Advisor Series													
June 30, 2016	57.22	0.47	(0.54)	(0.64)	(4.07)	(4.78)	—	—	—	—	—	52.66	
Dec. 31, 2015	51.52	0.99	(1.13)	13.90	(7.83)	5.93	—	—	—	—	—	57.22	
Dec. 31, 2014	43.64	0.86	(0.97)	10.86	(2.88)	7.87	—	(0.19)	—	—	(0.19)	51.52	
Dec. 31, 2013	31.76	0.62	(0.78)	5.45	6.55	11.84	—	—	—	—	—	43.64	
Dec. 31, 2012	29.40	0.60	(0.62)	0.39	2.07	2.44	—	—	—	—	—	31.76	
Dec. 31, 2011	29.22	0.49	(0.56)	(2.33)	2.50	0.10	—	—	—	—	—	29.40	
Series D													
June 30, 2016	57.08	0.47	(0.31)	(0.64)	(4.07)	(4.55)	—	—	—	—	—	52.74	
Dec. 31, 2015	51.27	0.99	(0.65)	13.88	(7.82)	6.40	—	(0.37)	—	—	(0.37)	57.08	
Dec. 31, 2014	43.42	0.85	(0.56)	10.76	(2.85)	8.20	—	(0.63)	—	—	(0.63)	51.27	
Dec. 31, 2013	31.59	0.61	(0.44)	5.38	6.48	12.03	—	(0.36)	—	—	(0.36)	43.42	
Dec. 31, 2012	29.20	0.59	(0.37)	0.38	2.05	2.65	—	(0.21)	—	—	(0.21)	31.59	
Dec. 31, 2011	28.98	0.49	(0.33)	(2.32)	2.49	0.33	—	(0.21)	—	—	(0.21)	29.20	
Series F													
June 30, 2016	57.33	0.48	(0.24)	(0.64)	(4.10)	(4.50)	—	—	—	—	—	53.05	
Dec. 31, 2015	51.51	1.00	(0.52)	14.04	(7.91)	6.61	—	(0.51)	—	—	(0.51)	57.33	
Dec. 31, 2014	43.62	0.85	(0.45)	10.79	(2.86)	8.33	—	(0.76)	—	—	(0.76)	51.51	
Dec. 31, 2013	31.72	0.63	(0.36)	5.52	6.64	12.43	—	(0.44)	—	—	(0.44)	43.62	
Dec. 31, 2012	29.32	0.59	(0.29)	0.38	2.06	2.74	—	(0.29)	—	—	(0.29)	31.72	
Dec. 31, 2011	29.10	0.49	(0.26)	(2.33)	2.50	0.40	—	(0.29)	—	—	(0.29)	29.32	
Series O													
June 30, 2016	57.93	0.48	(0.01)	(0.65)	(4.14)	(4.32)	—	—	—	—	—	53.84	
Dec. 31, 2015	52.07	1.01	(0.01)	14.12	(7.95)	7.17	—	(1.07)	—	—	(1.07)	57.93	
Dec. 31, 2014	44.10	0.83	(0.01)	10.48	(2.78)	8.52	—	(1.25)	—	—	(1.25)	52.07	
Dec. 31, 2013	32.07	0.63	(0.01)	5.50	6.61	12.73	—	(0.86)	—	—	(0.86)	44.09	
Dec. 31, 2012	29.65	0.60	(0.01)	0.39	2.09	3.07	—	(0.60)	—	—	(0.60)	32.07	
Dec. 31, 2011	29.42	0.50	(0.01)	(2.37)	2.54	0.66	—	(0.57)	—	—	(0.57)	29.65	

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	52.66	3 994	76	2.05⁴	2.05	142.41	0.10
Dec. 31, 2015	57.22	4 615	81	2.05	2.05	106.27	0.08
Dec. 31, 2014	51.52	4 259	83	2.06	2.06	38.62	0.07
Dec. 31, 2013	43.64	3 501	80	2.06	2.06	40.87	0.09
Dec. 31, 2012	31.77	2 915	92	2.02	2.02	34.35	0.08
Dec. 31, 2011	29.42	2 298	78	2.07	2.07	49.36	0.08
Advisor Series							
June 30, 2016	52.66	1 191	23	2.05⁴	2.05	142.41	0.10
Dec. 31, 2015	57.22	1 979	35	2.05	2.05	106.27	0.08
Dec. 31, 2014	51.52	1 815	35	2.06	2.06	38.62	0.07
Dec. 31, 2013	43.64	1 504	34	2.06	2.06	40.87	0.09
Dec. 31, 2012	31.77	1 005	32	2.02	2.02	34.35	0.08
Dec. 31, 2011	29.42	710	24	2.07	2.07	49.36	0.08
Series D							
June 30, 2016	52.74	128 194	2 430	1.18⁴	1.18	142.41	0.10
Dec. 31, 2015	57.08	147 545	2 585	1.18	1.18	106.27	0.08
Dec. 31, 2014	51.27	139 838	2 727	1.18	1.18	38.62	0.07
Dec. 31, 2013	43.42	130 937	3 015	1.19	1.19	40.87	0.09
Dec. 31, 2012	31.60	162 958	5 157	1.22	1.22	34.35	0.08
Dec. 31, 2011	29.22	186 942	6 398	1.22	1.22	49.36	0.08
Series F							
June 30, 2016	53.05	3 356	63	0.93⁴	0.93	142.41	0.10
Dec. 31, 2015	57.33	3 580	62	0.94	0.94	106.27	0.08
Dec. 31, 2014	51.51	2 293	45	0.94	0.94	38.62	0.07
Dec. 31, 2013	43.62	1 844	42	0.95	0.95	40.87	0.09
Dec. 31, 2012	31.73	1 412	44	0.95	0.95	34.35	0.08
Dec. 31, 2011	29.33	1 410	48	0.95	0.95	49.36	0.08
Series O							
June 30, 2016	53.84	342 232	6 356	0.02	0.02	142.41	0.10
Dec. 31, 2015	57.93	399 193	6 891	0.02	0.02	106.27	0.08
Dec. 31, 2014	52.07	438 672	8 425	0.02	0.02	38.62	0.07
Dec. 31, 2013	44.10	697 065	15 806	0.02	0.02	40.87	0.09
Dec. 31, 2012	32.08	731 423	22 798	0.02	0.02	34.35	0.08
Dec. 31, 2011	29.66	766 923	25 857	0.02	0.02	49.36	0.08

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.88%, Advisor Series – 1.88%, Series D – 1.02% and Series F – 0.77%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

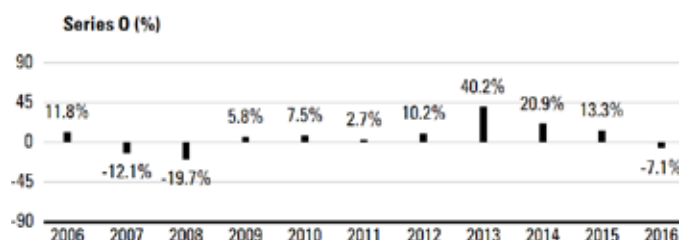
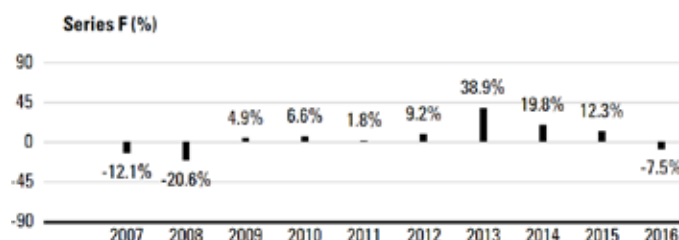
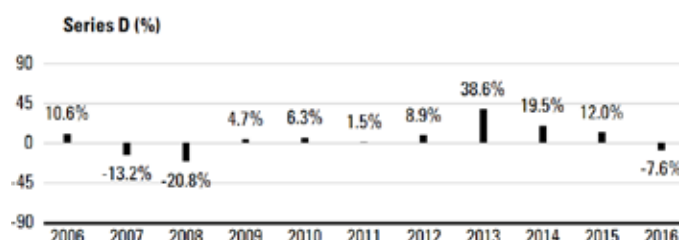
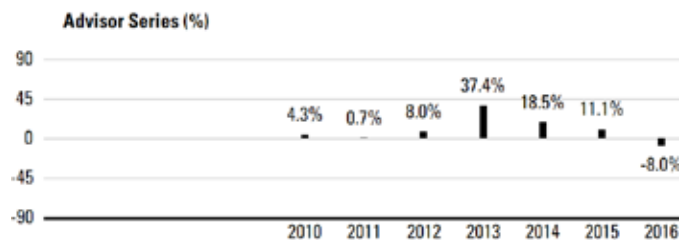
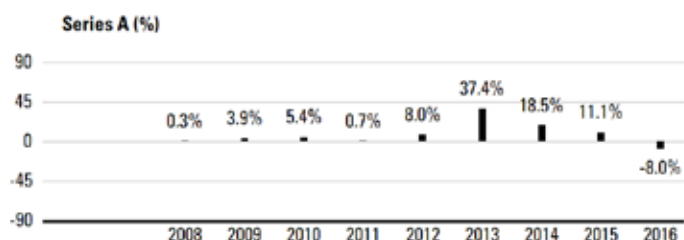
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Information Technology	20.9
Financials	16.3
Health Care	14.1
Consumer Discretionary	12.2
Industrials	10.8
Consumer Staples	10.5
Energy	6.3
Utilities	5.6
Materials	1.8
Telecommunication Services	0.9
Cash/Other	0.6

Top 25 Holdings

	% of Net Asset Value
Alphabet Inc., Class C	2.8
DTE Energy Company	2.8
American Electric Power	2.8
Johnson & Johnson	2.7
Microsoft Corp.	2.7
Apple Inc.	2.5
Amazon.com, Inc.	2.4
Facebook Inc., Class A	2.3
The Procter & Gamble Co.	2.1
Medtronic Plc.	2.0
Honeywell International Inc.	2.0
PepsiCo Inc.	1.9
Broadcom Ltd.	1.8
Occidental Petroleum Corp.	1.8
Bank of New York Mellon Corp.	1.7
Chubb Ltd.	1.6
Simon Property Group Inc.	1.6
S&P Global Inc.	1.6
Bank of America Corp.	1.6
Lowe's Companies	1.5
Thermo Fisher Scientific Inc.	1.5
Boston Properties Inc.	1.5
General Electric Company	1.5
Wells Fargo & Company	1.5
Mondelez International Inc.	1.4
Top 25 Holdings	49.6

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

U.S. EQUITY FUND

PHILLIPS, HAGER & NORTH
CURRENCY-HEDGED U.S. EQUITY FUND

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND****MANAGEMENT DISCUSSION OF FUND PERFORMANCE****Investment Objective and Strategies**

The Fund seeks to provide investors with significant long-term capital growth primarily through exposure to a well-diversified portfolio of large-capitalization, high-quality U.S. companies, while minimizing currency risk. To achieve the Fund's investment objective, the portfolio manager invests primarily in units of the Phillips, Hager & North U.S. Equity Fund ("the Underlying Fund"), as well as derivative instruments that are used to hedge against fluctuations in the value of the U.S. dollar relative to the Canadian dollar.

Results of Operations

The Fund's net asset value was \$50 million as of June 30, 2016.

Over the past six months, the Fund's Series O units lost 1.6%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Continued concern over slow global economic growth, the U.K.'s vote in favour of leaving the EU ("Brexit") and uncertainty about the direction of U.S. monetary policy all contributed to broad swings in equity markets during the first half of 2016. Through all this, the U.S. domestic economy continued to grow modestly while inflation and interest rates remained near historically low levels. Steady improvement in the U.S. housing and employment markets buoyed U.S. growth. Large-cap stocks underperformed small-cap equities, which benefited from exposure to the relatively strong U.S. economy. Larger companies, which will be affected by Brexit, tend to rely more on foreign markets for profits.

Stock selection was negative for the Fund's performance in the first half of the year, with the Information Technology and Financials sectors hurting relative returns the most. In the Information Technology sector, Skyworks Solutions and Apple Inc. were the Fund's worst-performing stocks. Skyworks, a supplier for Apple's iPhone, had too much inventory as iPhone demand was lacklustre. In the Financials sector, Citigroup and Bank of America underperformed on concern that falling interest rates would squeeze the banks' interest income.

The Fund's management team generally uses a sector-neutral mandate to limit the effects of sector-allocation decisions. However, the Fund had an underweight position in the strong-performing Telecommunication Services sector during the period, and this positioning hurt returns.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. This policy had a positive impact on returns in the first half of 2016, as unitholders were protected against the U.S. dollar's decline against the Canadian dollar.

Recent Developments

The sub-advisor remains confident about the Fund's ability to find stocks that will outperform regardless of the market environment. While investment decisions are generally the result of stock selection and the Fund's sector-neutral mandate, there are some industry themes that the sub-advisor believes could lead to outperformance as we head into the third quarter of 2016. For instance, the Fund has an overweight position in food products. In technology, trends continue to favour companies exposed to growth areas such as mobile content, cloud storage and internet software and services. Finally, the Fund is overweight aerospace and defence as, in the view of the sub-advisor, demand in this industry will be steady in a slow-growth environment.

Effective June 30, 2016, management fees were reduced as follows: from 1.75% to 1.60% for Series C and Advisor Series units; from 1.00% to 0.85% for Series D units; and from 0.75% to 0.60% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions***Manager and Portfolio Manager***

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series A												
June 30, 2016	9.81	—	(0.09)	0.78	(0.72)	(0.03)	—	—	—	—	—	9.56
Dec. 31, 2015	10.50	0.19	(0.21)	(0.24)	(0.44)	(0.70)	—	—	—	—	—	9.81
Dec. 31, 2014	9.66	0.17	(0.20)	2.89	(1.92)	0.94	—	(0.03)	—	—	(0.03)	10.50
Dec. 31, 2013	7.47	0.11	(0.18)	1.35	1.02	2.30	—	—	—	—	—	9.66
Dec. 31, 2012	7.00	0.13	(0.15)	0.79	0.09	0.86	—	—	(0.30)	—	(0.30)	7.47
Dec. 31, 2011	7.12	0.12	(0.14)	0.17	(0.22)	(0.07)	—	—	(0.01)	—	(0.01)	7.00
Advisor Series												
June 30, 2016	9.81	—	(0.09)	0.78	(0.72)	(0.03)	—	—	—	—	—	9.56
Dec. 31, 2015	10.50	0.19	(0.20)	(0.24)	(0.44)	(0.69)	—	—	—	—	—	9.81
Dec. 31, 2014	9.66	0.17	(0.20)	2.88	(1.91)	0.94	—	(0.04)	—	—	(0.04)	10.50
Dec. 31, 2013	7.47	0.12	(0.18)	1.39	1.06	2.39	—	—	—	—	—	9.66
Dec. 31, 2012	7.00	0.13	(0.15)	0.79	0.09	0.86	—	—	(0.30)	—	(0.30)	7.47
Dec. 31, 2011	7.12	0.12	(0.14)	0.17	(0.22)	(0.07)	—	—	(0.01)	—	(0.01)	7.00
Series D												
June 30, 2016	9.76	—	(0.05)	0.77	(0.71)	0.01	—	—	—	—	—	9.55
Dec. 31, 2015	10.44	0.19	(0.12)	(0.24)	(0.44)	(0.61)	—	(0.08)	—	—	(0.08)	9.76
Dec. 31, 2014	9.60	0.17	(0.12)	2.84	(1.88)	1.01	—	(0.12)	—	—	(0.12)	10.44
Dec. 31, 2013	7.41	0.10	(0.10)	1.21	0.92	2.13	—	(0.06)	—	—	(0.06)	9.60
Dec. 31, 2012	6.92	0.12	(0.09)	0.76	0.08	0.87	—	(0.04)	(0.30)	—	(0.34)	7.41
Dec. 31, 2011	7.02	0.12	(0.08)	0.17	(0.21)	—	—	(0.04)	(0.01)	—	(0.05)	6.92
Series F												
June 30, 2016	9.85	—	(0.04)	0.77	(0.71)	0.02	—	—	—	—	—	9.64
Dec. 31, 2015	10.53	0.19	(0.10)	(0.24)	(0.44)	(0.59)	—	(0.10)	—	—	(0.10)	9.85
Dec. 31, 2014	9.68	0.17	(0.10)	2.86	(1.89)	1.04	—	(0.15)	—	—	(0.15)	10.53
Dec. 31, 2013	7.47	0.11	(0.08)	1.28	0.97	2.28	—	(0.09)	—	—	(0.09)	9.68
Dec. 31, 2012	6.97	0.13	(0.07)	0.78	0.09	0.93	—	(0.06)	(0.30)	—	(0.36)	7.47
Dec. 31, 2011	7.07	0.12	(0.06)	0.17	(0.22)	0.01	—	(0.06)	(0.01)	—	(0.07)	6.97
Series O												
June 30, 2016	9.87	—	(0.01)	0.78	(0.72)	0.05	—	—	—	—	—	9.71
Dec. 31, 2015	10.55	0.19	(0.01)	(0.24)	(0.45)	(0.51)	—	(0.18)	—	—	(0.18)	9.87
Dec. 31, 2014	9.70	0.15	(0.01)	2.61	(1.73)	1.02	—	(0.23)	—	—	(0.23)	10.55
Dec. 31, 2013	7.48	0.10	(0.01)	1.21	0.92	2.22	—	(0.17)	—	—	(0.17)	9.70
Dec. 31, 2012	6.99	0.13	(0.01)	0.78	0.09	0.99	—	(0.12)	(0.30)	—	(0.42)	7.48
Dec. 31, 2011	7.09	0.12	(0.01)	0.17	(0.22)	0.06	—	(0.12)	(0.01)	—	(0.13)	6.99

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	9.56	1 000	105	2.04⁴	2.05	36.09	—
Dec. 31, 2015	9.81	1 128	115	2.05	2.06	24.20	0.08
Dec. 31, 2014	10.50	1 677	160	2.05	2.05	11.12	0.07
Dec. 31, 2013	9.66	1 759	182	2.07	2.07	51.30	0.09
Dec. 31, 2012	7.47	1 436	192	2.09	2.09	25.25	0.08
Dec. 31, 2011	7.00	813	116	2.10	2.10	24.49	0.08
Advisor Series							
June 30, 2016	9.56	2 750	288	2.04⁴	2.05	36.09	—
Dec. 31, 2015	9.81	3 153	321	2.05	2.06	24.20	0.08
Dec. 31, 2014	10.50	639	61	2.05	2.05	11.12	0.07
Dec. 31, 2013	9.66	668	69	2.07	2.07	51.30	0.09
Dec. 31, 2012	7.47	206	28	2.09	2.09	25.25	0.08
Dec. 31, 2011	7.00	146	21	2.10	2.10	24.49	0.08
Series D							
June 30, 2016	9.55	10 011	1 049	1.20⁴	1.21	36.09	—
Dec. 31, 2015	9.76	7 793	799	1.21	1.22	24.20	0.08
Dec. 31, 2014	10.44	7 896	756	1.21	1.21	11.12	0.07
Dec. 31, 2013	9.60	10 308	1 074	1.22	1.22	51.30	0.09
Dec. 31, 2012	7.41	23 313	3 148	1.25	1.25	25.25	0.08
Dec. 31, 2011	6.92	42 322	6 118	1.25	1.25	24.49	0.08
Series F							
June 30, 2016	9.64	1 607	167	0.94⁴	0.94	36.09	—
Dec. 31, 2015	9.85	761	77	0.95	0.95	24.20	0.08
Dec. 31, 2014	10.53	776	74	0.96	0.96	11.12	0.07
Dec. 31, 2013	9.68	926	96	0.97	0.97	51.30	0.09
Dec. 31, 2012	7.47	1 229	165	0.98	0.98	25.25	0.08
Dec. 31, 2011	6.97	1 191	171	0.98	0.98	24.49	0.08
Series O							
June 30, 2016	9.71	34 190	3 522	0.13	0.14	36.09	—
Dec. 31, 2015	9.87	27 937	2 831	0.13	0.14	24.20	0.08
Dec. 31, 2014	10.55	32 305	3 062	0.13	0.13	11.12	0.07
Dec. 31, 2013	9.70	78 801	8 124	0.13	0.13	51.30	0.09
Dec. 31, 2012	7.48	76 256	10 190	0.14	0.14	25.25	0.08
Dec. 31, 2011	6.99	82 513	11 812	0.14	0.14	24.49	0.08

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.88%, Advisor Series – 1.88%, Series D – 1.04% and Series F – 0.78%.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

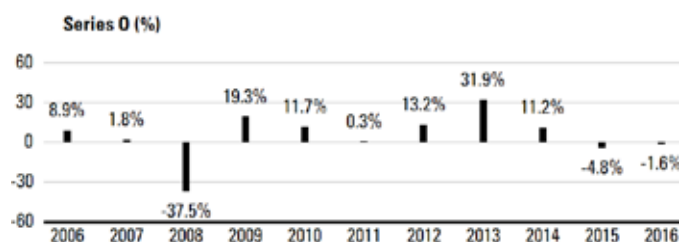
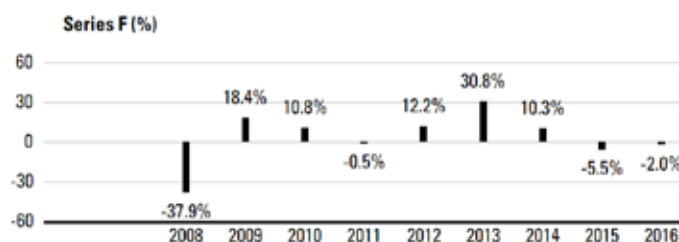
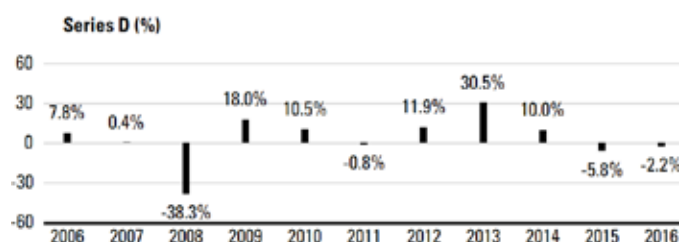
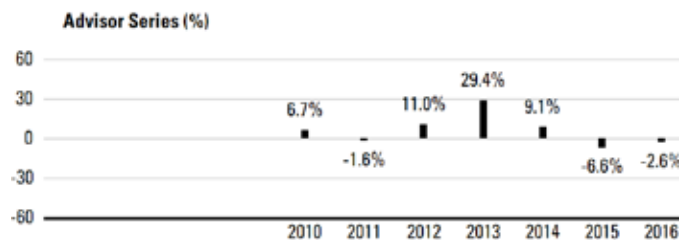
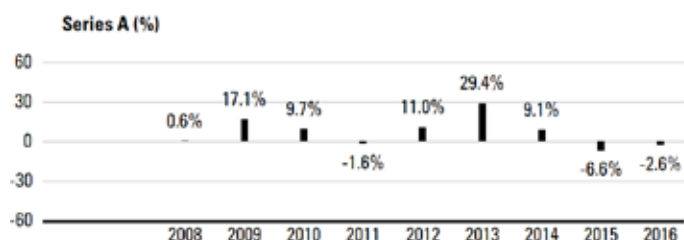
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, Series F units since December 2007, and Series D and Series O units since June 2006.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
SUMMARY OF INVESTMENT PORTFOLIO
(after consideration of derivative products, if any)
As at June 30, 2016
Investment Mix

	% of Net Asset Value
Information Technology	20.8
Financials	16.3
Health Care	14.1
Consumer Discretionary	12.2
Industrials	10.8
Consumer Staples	10.5
Energy	6.3
Utilities	5.6
Materials	1.8
Telecommunication Services	0.9
Cash/Other	0.7

Top 25 Holdings*

	% of Net Asset Value
Alphabet Inc., Class C	2.8
DTE Energy Company	2.8
American Electric Power	2.8
Johnson & Johnson	2.7
Microsoft Corp.	2.7
Apple Inc.	2.5
Amazon.com, Inc.	2.4
Facebook Inc., Class A	2.3
The Procter & Gamble Co.	2.1
Medtronic Plc.	2.0
Honeywell International Inc.	2.0
PepsiCo Inc.	1.9
Broadcom Ltd.	1.8
Occidental Petroleum Corp.	1.8
Bank of New York Mellon Corp.	1.7
Chubb Ltd.	1.6
Simon Property Group Inc.	1.6
S&P Global Inc.	1.6
Bank of America Corp.	1.6
Lowe's Companies	1.5
Thermo Fisher Scientific Inc.	1.5
Boston Properties Inc.	1.5
General Electric Company	1.5
Wells Fargo & Company	1.5
Mondelez International Inc.	1.4
Top 25 Holdings	49.6

* The Fund invests substantially all of its assets directly in the Phillips, Hager & North U.S. Equity Fund. The above are the Top 25 holdings of the Phillips, Hager & North U.S. Equity Fund.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

U.S. EQUITY FUND

PHILLIPS, HAGER & NORTH
U.S. GROWTH FUND

June 30, 2016

Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

Sub-Advisor: RBC Global Asset Management (U.S.) Inc.

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth by investing primarily in a well-diversified portfolio of shares of large-capitalization, high-quality North American companies, with an emphasis on U.S. stocks. Where applicable, Canadian and Mexican securities that possess particularly attractive fundamentals will be added to the portfolio. However, the Fund's assets are primarily allocated to U.S. securities. To achieve the Fund's investment objective, the portfolio manager invests in businesses that they believe have a sustainable competitive advantage, promising growth opportunities, a history of profitability, a solid financial position, and a capable management team.

Results of Operations

The Fund's net asset value was \$104 million as of June 30, 2016.

Over the past six months, the Fund's Series O units lost 7.1%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Continued concern over slow global economic growth, the U.K.'s vote in favour of leaving the EU ("Brexit") and uncertainty about the direction of U.S. monetary policy all contributed to broad swings in equity markets during the first half of 2016. Through all this, the U.S. domestic economy continued to grow modestly while inflation and interest rates remained near historically low levels. Steady improvement in the U.S. housing and employment markets buoyed U.S. growth. Large-cap stocks underperformed small-cap equities, which benefited from exposure to the relatively strong U.S. economy. Larger companies, which will be affected by Brexit, tend to rely more on foreign markets for profits.

Stock selection was negative for the Fund's performance in the first half of the year, with the Information Technology and Financials sectors hurting relative returns the most. In the Information Technology sector, Skyworks Solutions and Apple Inc. were the Fund's worst-performing stocks. Skyworks, a supplier for Apple's iPhone, had too much inventory as iPhone demand was lacklustre. In the Financials sector, Citigroup and Bank of America underperformed on concern that falling interest rates would squeeze the banks' interest income.

The Fund's management team uses a sector-neutral mandate to limit the effects of sector allocation decisions, which had a moderate negative impact on returns during the period, particularly due to the Fund's underweight position in the strong-performing Telecommunication Services sector.

Portfolio turnover is normally high for this Fund, as the portfolio manager attempts to generate better returns through active sector and stock selection.

Recent Developments

The sub-advisor remains confident about the Fund's ability to find stocks that will outperform regardless of the market environment. While investment decisions are generally the result of stock selection and the Fund's sector-neutral mandate, there are some industry themes that the sub-advisor believes could lead to outperformance as we head into the third quarter of 2016. For instance, the Fund has an overweight position in food products. In technology, trends continue to favour companies exposed to growth areas such as mobile content, cloud storage and internet software and services. Finally, the Fund is overweight aerospace and defence as, in the view of the sub-advisor, demand in this industry will be steady in a slow-growth environment.

Effective June 30, 2016, management fees were reduced as follows: from 1.75% to 1.60% for Series C and Advisor Series units; from 1.00% to 0.85% for Series D units; and from 0.75% to 0.60% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Sub-Advisor

RBC Global Asset Management (U.S.) Inc. is the sub-advisor and provides investment advice for the Fund.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$0 (2015 – \$10,000), or 0% (2015 – 31%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total		
Series A													
June 30, 2016	21.82	0.18	(0.20)	(0.28)	(1.54)	(1.84)	—	—	—	—	—	20.08	
Dec. 31, 2015	18.79	0.28	(0.41)	5.91	(2.66)	3.12	—	—	—	—	—	21.82	
Dec. 31, 2014	16.08	0.19	(0.34)	2.34	0.49	2.68	—	—	—	—	—	18.79	
Dec. 31, 2013	11.62	0.18	(0.27)	1.21	3.35	4.47	—	—	—	—	—	16.07	
Dec. 31, 2012	10.81	0.19	(0.23)	(0.17)	1.03	0.82	—	—	—	—	—	11.62	
Dec. 31, 2011	10.92	0.15	(0.21)	(0.51)	0.44	(0.13)	—	—	—	—	—	10.81	
Advisor Series													
June 30, 2016	21.82	0.18	(0.20)	(0.28)	(1.55)	(1.85)	—	—	—	—	—	20.08	
Dec. 31, 2015	18.78	0.28	(0.41)	5.88	(2.64)	3.11	—	—	—	—	—	21.82	
Dec. 31, 2014	16.08	0.19	(0.34)	2.34	0.49	2.68	—	—	—	—	—	18.78	
Dec. 31, 2013	11.62	0.17	(0.28)	1.17	3.26	4.32	—	—	—	—	—	16.08	
Dec. 31, 2012	10.81	0.19	(0.23)	(0.17)	1.03	0.82	—	—	—	—	—	11.62	
Dec. 31, 2011	10.92	0.15	(0.21)	(0.51)	0.44	(0.13)	—	—	—	—	—	10.81	
Series D													
June 30, 2016	22.44	0.19	(0.12)	(0.29)	(1.59)	(1.81)	—	—	—	—	—	20.73	
Dec. 31, 2015	19.18	0.28	(0.25)	6.06	(2.72)	3.37	—	(0.02)	—	—	(0.02)	22.44	
Dec. 31, 2014	16.29	0.20	(0.21)	2.38	0.50	2.87	—	—	—	—	—	19.18	
Dec. 31, 2013	11.70	0.18	(0.16)	1.21	3.36	4.59	—	(0.03)	—	—	(0.03)	16.29	
Dec. 31, 2012	10.82	0.19	(0.14)	(0.17)	1.02	0.90	—	(0.03)	—	—	(0.03)	11.70	
Dec. 31, 2011	10.90	0.16	(0.12)	(0.52)	0.44	(0.04)	—	(0.04)	—	—	(0.04)	10.82	
Series F													
June 30, 2016	22.70	0.19	(0.10)	(0.29)	(1.62)	(1.82)	—	—	—	—	—	21.00	
Dec. 31, 2015	19.41	0.29	(0.21)	6.14	(2.76)	3.46	—	(0.07)	—	—	(0.07)	22.70	
Dec. 31, 2014	16.47	0.20	(0.17)	2.41	0.50	2.94	—	(0.03)	—	—	(0.03)	19.41	
Dec. 31, 2013	11.83	0.18	(0.13)	1.23	3.42	4.70	—	(0.07)	—	—	(0.07)	16.47	
Dec. 31, 2012	10.94	0.19	(0.11)	(0.17)	1.04	0.95	—	(0.06)	—	—	(0.06)	11.83	
Dec. 31, 2011	11.01	0.16	(0.10)	(0.52)	0.45	(0.01)	—	(0.07)	—	—	(0.07)	10.94	
Series O													
June 30, 2016	22.93	0.19	(0.01)	(0.29)	(1.63)	(1.74)	—	—	—	—	—	21.30	
Dec. 31, 2015	19.60	0.29	(0.02)	6.21	(2.79)	3.69	—	(0.27)	—	—	(0.27)	22.93	
Dec. 31, 2014	16.63	0.20	(0.01)	2.45	0.51	3.15	—	(0.20)	—	—	(0.20)	19.60	
Dec. 31, 2013	11.95	0.18	(0.01)	1.26	3.48	4.91	—	(0.21)	—	—	(0.21)	16.63	
Dec. 31, 2012	11.05	0.19	(0.01)	(0.17)	1.06	1.07	—	(0.16)	—	—	(0.16)	11.95	
Dec. 31, 2011	11.12	0.16	(0.01)	(0.53)	0.45	0.07	—	(0.17)	—	—	(0.17)	11.05	

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	20.08	1 127	56	1.99⁴	1.99	153.91	0.10
Dec. 31, 2015	21.82	2 289	105	1.98	1.98	124.55	0.09
Dec. 31, 2014	18.79	2 171	116	1.97	1.97	42.63	0.06
Dec. 31, 2013	16.08	2 007	125	2.00	2.00	18.69	0.05
Dec. 31, 2012	11.62	1 460	126	2.03	2.03	28.53	0.07
Dec. 31, 2011	10.81	495	46	2.00	2.00	29.47	0.06
Advisor Series							
June 30, 2016	20.08	156	8	1.99⁴	1.99	153.91	0.10
Dec. 31, 2015	21.82	166	8	1.98	1.98	124.55	0.09
Dec. 31, 2014	18.78	281	15	1.97	1.97	42.63	0.06
Dec. 31, 2013	16.08	274	17	2.00	2.00	18.69	0.05
Dec. 31, 2012	11.62	185	16	2.03	2.03	28.53	0.07
Dec. 31, 2011	10.81	93	9	2.00	2.00	29.47	0.06
Series D							
June 30, 2016	20.73	37 670	1 817	1.18⁴	1.18	153.91	0.10
Dec. 31, 2015	22.44	43 208	1 925	1.18	1.18	124.55	0.09
Dec. 31, 2014	19.18	37 146	1 936	1.18	1.18	42.63	0.06
Dec. 31, 2013	16.29	34 628	2 125	1.18	1.18	18.69	0.05
Dec. 31, 2012	11.71	45 053	3 848	1.22	1.22	28.53	0.07
Dec. 31, 2011	10.83	56 550	5 222	1.22	1.22	29.47	0.06
Series F							
June 30, 2016	21.00	1 815	86	0.95⁴	0.95	153.91	0.10
Dec. 31, 2015	22.70	764	34	0.95	0.95	124.55	0.09
Dec. 31, 2014	19.41	536	28	0.95	0.95	42.63	0.06
Dec. 31, 2013	16.47	430	26	0.94	0.94	18.69	0.05
Dec. 31, 2012	11.83	389	33	0.94	0.94	28.53	0.07
Dec. 31, 2011	10.94	366	33	0.96	0.96	29.47	0.06
Series O							
June 30, 2016	21.30	62 809	2 949	0.08	0.08	153.91	0.10
Dec. 31, 2015	22.93	77 521	3 381	0.08	0.08	124.55	0.09
Dec. 31, 2014	19.60	81 811	4 174	0.08	0.08	42.63	0.06
Dec. 31, 2013	16.63	75 114	4 516	0.08	0.08	18.69	0.05
Dec. 31, 2012	11.95	51 567	4 314	0.08	0.08	28.53	0.07
Dec. 31, 2011	11.05	47 454	4 293	0.08	0.08	29.47	0.06

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.82%, Advisor Series – 1.82%, Series D – 1.02% and Series F – 0.78%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

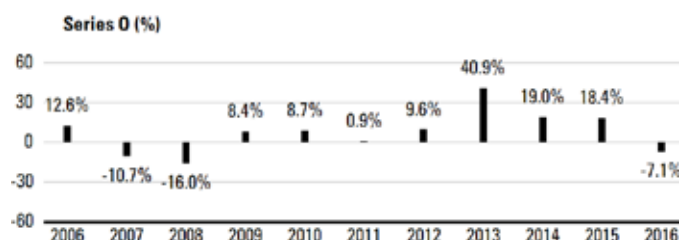
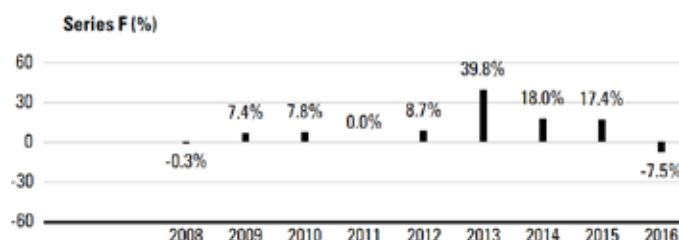
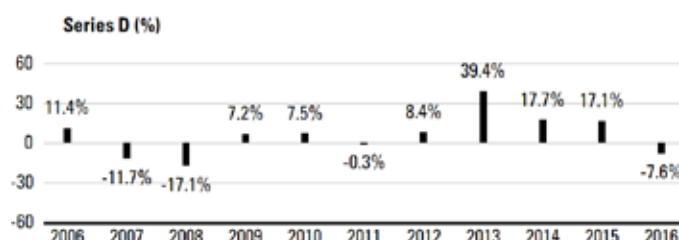
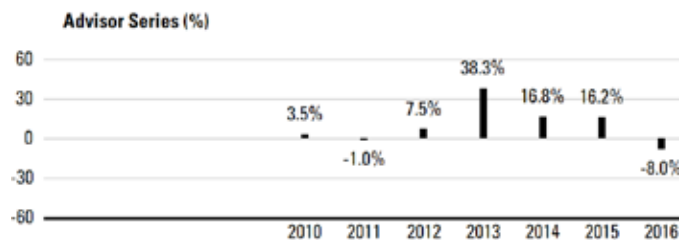
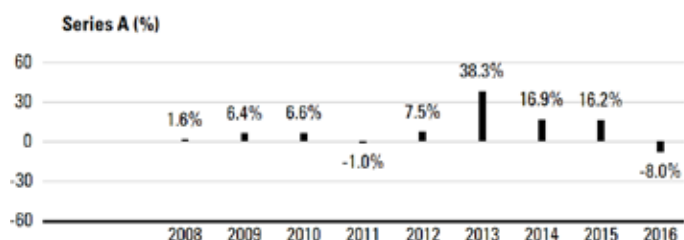
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since October 2008.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Information Technology	20.8
Financials	16.3
Health Care	14.1
Consumer Discretionary	12.1
Industrials	10.8
Consumer Staples	10.5
Energy	6.4
Utilities	5.6
Materials	1.8
Telecommunication Services	0.9
Cash/Other	0.7

Top 25 Holdings

	% of Net Asset Value
DTE Energy Company	2.8
Alphabet Inc., Class C	2.8
American Electric Power	2.8
Microsoft Corp.	2.8
Johnson & Johnson	2.7
Apple Inc.	2.6
Facebook Inc., Class A	2.3
Amazon.com, Inc.	2.3
The Procter & Gamble Co.	2.1
Medtronic Plc.	2.0
Honeywell International Inc.	2.0
PepsiCo Inc.	1.9
Occidental Petroleum Corp.	1.8
Broadcom Ltd.	1.8
Bank of New York Mellon Corp.	1.6
Simon Property Group Inc.	1.6
Chubb Ltd.	1.6
Bank of America Corp.	1.6
S&P Global Inc.	1.6
Lowe's Companies	1.5
General Electric Company	1.5
Boston Properties Inc.	1.5
Thermo Fisher Scientific Inc.	1.5
Wells Fargo & Company	1.4
Mondelez International Inc.	1.4
Top 25 Holdings	49.5

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

INTERNATIONAL EQUITY FUND

**PHILLIPS, HAGER & NORTH
OVERSEAS EQUITY FUND**

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

Sub-Advisor: RBC Global Asset Management (UK) Limited

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth by investing in common stocks of companies located in countries outside North America, including countries in Europe, as well as Japan, Australia and the rest of the Far East. To achieve the Fund's investment objective, the portfolio manager invests in companies that are attractively valued, possess sound fundamentals and have a strong market position.

Results of Operations

The Fund's net asset value was \$955 million as of June 30, 2016.

Over the past six months, the Fund's Series O units lost 9.2%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Early in the period, market returns were dominated by concerns about China and its ability to manage its capital markets. This was combined with the continuation of rapidly falling oil prices, which reached a low in mid-February. The rapid turnaround in commodity and equity prices that followed was largely the result of central banks around the globe responding with a combination of asset purchases and interest-rate cuts, which in the case of Japan took official rates negative – much to the market's surprise. An indiscriminate rally followed in February until the end of the first quarter.

Towards the end of the period, the market focus was squarely on the U.K.'s referendum regarding its membership in the EU ("Brexit"), which caused considerable volatility in asset prices at the very end of the period. The Fund was not positioned specifically for either outcome but rather continued to focus on a diversified collection of global equities.

The Fund benefited from individual positions in the Financials, Information Technology and Consumer Discretionary sectors, offset by holdings in the Consumer Staples, Telecommunication Services and Materials sectors.

Recent Developments

Although concerns over Brexit dominated the period, the sub-advisor is mindful that there are many more issues to think about. Much of the world is struggling with negative interest rates and low growth in both GDP and wages. Geopolitical concerns are still very apparent and will possibly be exacerbated by Brexit. As always, the sub-advisor looks to build a portfolio of companies with strong fundamentals that are leaders in their fields and which are well positioned to weather near-term turbulence and deliver strong risk-adjusted returns over the long term.

Effective June 30, 2016, management fees were reduced as follows: from 1.85% to 1.75% for Series C and Advisor Series units; from 1.10% to 1.00% for Series D units; and from 0.85% to 0.75% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Sub-Advisor

RBC Global Asset Management (UK) Limited is the sub-advisor and provides investment advice for the Fund.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$58,000 (2015 – \$0), or 5% (2015 – 0%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total		
Series A													
June 30, 2016	13.81	0.29	(0.14)	0.15	(1.62)	(1.32)	—	—	—	—	—	—	12.41
Dec. 31, 2015	11.44	0.30	(0.29)	0.52	1.85	2.38	—	—	—	—	—	—	13.81
Dec. 31, 2014	11.21	0.40	(0.26)	2.22	(1.90)	0.46	—	(0.21)	—	—	(0.21)	—	11.44
Dec. 31, 2013	9.15	0.30	(0.22)	0.47	1.55	2.10	—	(0.09)	—	—	(0.09)	—	11.21
Dec. 31, 2012	7.97	0.28	(0.19)	(0.86)	2.06	1.29	—	(0.10)	—	—	(0.10)	—	9.15
Dec. 31, 2011	10.36	0.37	(0.20)	(0.42)	(1.94)	(2.19)	—	(0.21)	—	—	(0.21)	—	7.97
Advisor Series													
June 30, 2016	13.81	0.29	(0.14)	0.15	(1.62)	(1.32)	—	—	—	—	—	—	12.41
Dec. 31, 2015	11.44	0.30	(0.29)	0.52	1.85	2.38	—	—	—	—	—	—	13.81
Dec. 31, 2014	11.21	0.40	(0.26)	2.22	(1.90)	0.46	—	(0.21)	—	—	(0.21)	—	11.44
Dec. 31, 2013	9.15	0.29	(0.22)	0.46	1.54	2.07	—	(0.09)	—	—	(0.09)	—	11.21
Dec. 31, 2012	7.97	0.28	(0.19)	(0.86)	2.06	1.29	—	(0.10)	—	—	(0.10)	—	9.15
Dec. 31, 2011	10.36	0.37	(0.20)	(0.42)	(1.94)	(2.19)	—	(0.21)	—	—	(0.21)	—	7.97
Series D													
June 30, 2016	13.72	0.29	(0.08)	0.15	(1.61)	(1.25)	—	—	—	—	—	—	12.38
Dec. 31, 2015	11.35	0.30	(0.18)	0.52	1.84	2.48	—	(0.11)	—	—	(0.11)	—	13.72
Dec. 31, 2014	11.13	0.40	(0.15)	2.21	(1.90)	0.56	—	(0.31)	—	—	(0.31)	—	11.35
Dec. 31, 2013	9.08	0.29	(0.13)	0.46	1.54	2.16	—	(0.18)	—	—	(0.18)	—	11.13
Dec. 31, 2012	7.91	0.28	(0.12)	(0.86)	2.05	1.35	—	(0.17)	—	—	(0.17)	—	9.08
Dec. 31, 2011	10.29	0.37	(0.13)	(0.42)	(1.94)	(2.12)	—	(0.28)	—	—	(0.28)	—	7.91
Series F													
June 30, 2016	13.08	0.28	(0.07)	0.14	(1.53)	(1.18)	—	—	—	—	—	—	11.82
Dec. 31, 2015	10.83	0.28	(0.14)	0.49	1.75	2.38	—	(0.14)	—	—	(0.14)	—	13.08
Dec. 31, 2014	10.61	0.38	(0.12)	2.10	(1.80)	0.56	—	(0.32)	—	—	(0.32)	—	10.83
Dec. 31, 2013	8.66	0.28	(0.11)	0.45	1.48	2.10	—	(0.20)	—	—	(0.20)	—	10.61
Dec. 31, 2012	7.55	0.27	(0.09)	(0.82)	2.06	1.42	—	(0.19)	—	—	(0.19)	—	8.66
Dec. 31, 2011	9.81	0.36	(0.09)	(0.40)	(1.85)	(1.98)	—	(0.29)	—	—	(0.29)	—	7.55
Series O													
June 30, 2016	13.99	0.30	(0.01)	0.15	(1.64)	(1.20)	—	—	—	—	—	—	12.70
Dec. 31, 2015	11.58	0.31	(0.01)	0.53	1.89	2.72	—	(0.29)	—	—	(0.29)	—	13.99
Dec. 31, 2014	11.35	0.40	(0.01)	2.24	(1.93)	0.70	—	(0.47)	—	—	(0.47)	—	11.58
Dec. 31, 2013	9.27	0.30	(0.01)	0.48	1.59	2.36	—	(0.32)	—	—	(0.32)	—	11.35
Dec. 31, 2012	8.08	0.29	(0.01)	(0.88)	2.10	1.50	—	(0.30)	—	—	(0.30)	—	9.27
Dec. 31, 2011	10.50	0.38	(0.01)	(0.43)	(1.99)	(2.05)	—	(0.40)	—	—	(0.40)	—	8.08

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	12.41	2 872	231	2.21⁴	2.21	28.75	0.24
Dec. 31, 2015	13.81	3 664	265	2.22	2.22	35.42	0.17
Dec. 31, 2014	11.44	3 100	271	2.22	2.22	146.70	0.42
Dec. 31, 2013	11.21	3 406	304	2.22	2.22	87.75	0.39
Dec. 31, 2012	9.15	2 862	313	2.21	2.21	87.82	0.38
Dec. 31, 2011	7.97	2 433	305	2.21	2.21	65.57	0.34
Advisor Series							
June 30, 2016	12.41	1 079	87	2.21⁴	2.21	28.75	0.24
Dec. 31, 2015	13.81	1 401	101	2.22	2.22	35.42	0.17
Dec. 31, 2014	11.44	1 017	89	2.22	2.22	146.70	0.42
Dec. 31, 2013	11.21	1 143	102	2.22	2.22	87.75	0.39
Dec. 31, 2012	9.15	578	63	2.21	2.21	87.82	0.38
Dec. 31, 2011	7.97	522	65	2.21	2.21	65.57	0.34
Series D							
June 30, 2016	12.38	165 891	13 404	1.34⁴	1.34	28.75	0.24
Dec. 31, 2015	13.72	186 721	13 614	1.34	1.34	35.42	0.17
Dec. 31, 2014	11.35	149 793	13 194	1.34	1.34	146.70	0.42
Dec. 31, 2013	11.13	159 035	14 294	1.35	1.35	87.75	0.39
Dec. 31, 2012	9.08	186 156	20 501	1.39	1.39	87.82	0.38
Dec. 31, 2011	7.92	213 563	26 982	1.39	1.39	65.57	0.34
Series F							
June 30, 2016	11.82	9 134	773	1.12⁴	1.12	28.75	0.24
Dec. 31, 2015	13.08	5 569	426	1.13	1.13	35.42	0.17
Dec. 31, 2014	10.83	3 371	311	1.13	1.13	146.70	0.42
Dec. 31, 2013	10.61	4 178	394	1.13	1.13	87.75	0.39
Dec. 31, 2012	8.66	3 292	380	1.11	1.11	87.82	0.38
Dec. 31, 2011	7.55	3 931	521	1.10	1.10	65.57	0.34
Series O							
June 30, 2016	12.70	776 495	61 130	0.09	0.09	28.75	0.24
Dec. 31, 2015	13.99	778 286	55 634	0.09	0.09	35.42	0.17
Dec. 31, 2014	11.58	653 668	56 427	0.09	0.09	146.70	0.42
Dec. 31, 2013	11.35	868 969	76 537	0.09	0.09	87.75	0.39
Dec. 31, 2012	9.27	754 074	81 370	0.09	0.09	87.82	0.38
Dec. 31, 2011	8.08	615 435	76 209	0.09	0.09	65.57	0.34

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.10%, Advisor Series – 2.10%, Series D – 1.23% and Series F – 1.01%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.75%	54%	46%
Advisor Series	1.75%	54%	46%
Series D	1.00%	23%	77%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

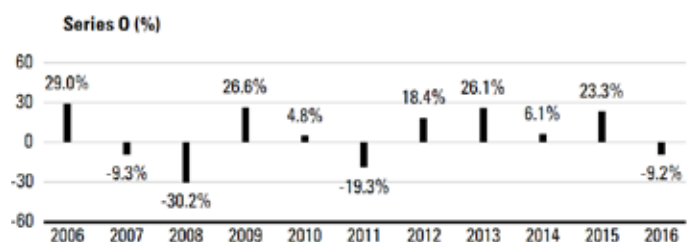
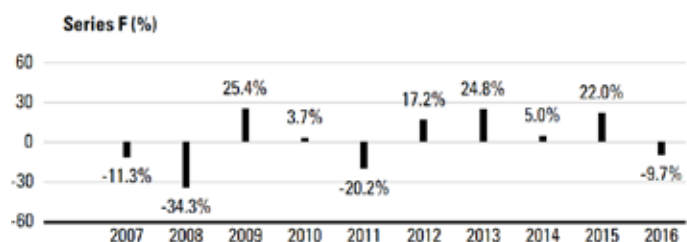
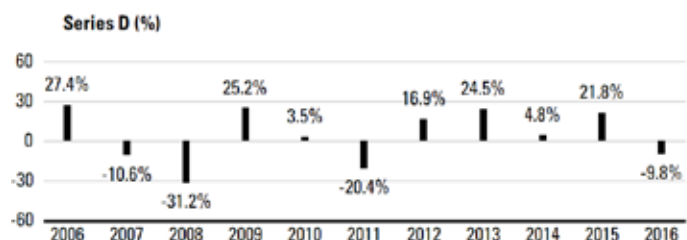
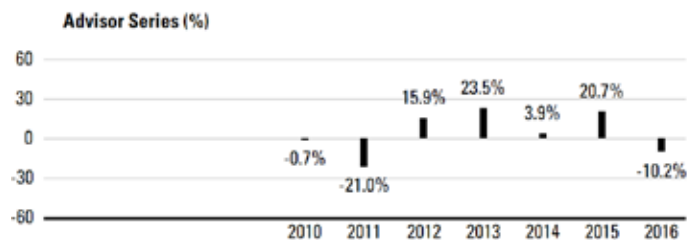
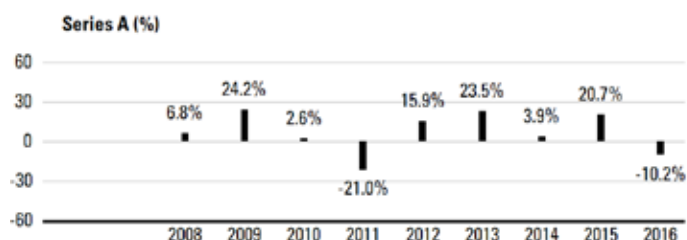
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since June 2007.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO*(after consideration of derivative products, if any)**As at June 30, 2016***Investment Mix – Sectors**

	% of Net Asset Value
Financials	21.2
Industrials	17.5
Consumer Discretionary	16.8
Consumer Staples	12.8
Health Care	11.0
Information Technology	5.5
Materials	5.2
Energy	5.0
Telecommunication Services	3.7
Utilities	0.9
Cash/Other	0.4

Investment Mix – Countries/Regions

	% of Net Asset Value
Europe ex-United Kingdom Equities	43.9
Japan Equities	20.7
Pacific Rim ex-Japan Equities	15.2
United Kingdom Equities	15.1
Middle East and Africa Equities	4.8
Cash/Other	0.3

Top 25 Holdings

	% of Net Asset Value
InBev N.V.	4.9
Naspers Ltd.	4.8
Pernod-Ricard S.A.	4.4
Safran S.A.	4.3
Roche Holdings AG Genusscheine	4.1
Deutsche Post AG	3.9
AIA Group Ltd.	3.8
Novo Nordisk A/S	3.7
Nidec Corp.	3.6
HDFC Bank Ltd. ADR	3.5
InterContinental Hotels Group Plc.	3.3
Admiral Group Plc.	3.3
Astellas Pharma Inc.	3.2
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	3.2
SMC Corp.	3.1
Oil Search Ltd.	2.6
Kubota Corp.	2.6
Paddy Power Betfair Plc.	2.4
Royal Dutch Shell Plc., B Shares	2.4
ASML Holding N.V.	2.4
Toyota Motor Corp.	2.3
St James's Place Plc.	2.2
Svenska Cellulosa AB	2.0
Partners Group Holding AG	2.0
Oriental Land Co. Ltd.	2.0
Top 25 Holdings	80.0

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

INTERNATIONAL EQUITY FUND

**PHILLIPS, HAGER & NORTH
 CURRENCY-HEDGED OVERSEAS
 EQUITY FUND**

 June 30, 2016

Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND**MANAGEMENT DISCUSSION OF FUND PERFORMANCE****Investment Objective and Strategies**

The Fund seeks to provide investors with long-term capital growth primarily through exposure to a diversified portfolio of companies located in countries outside North America, including countries in Europe, as well as Japan, Australia and the rest of the Far East, while minimizing fluctuations in the value of foreign currencies relative to the Canadian dollar. To achieve the Fund's investment objective, the portfolio manager invests primarily in units of the Phillips, Hager & North Overseas Equity Fund (the "Underlying Fund"), as well as derivative instruments that are used to hedge against fluctuations in the value of foreign currencies relative to the Canadian dollar.

Results of Operations

The Fund's net asset value was \$166 million as of June 30, 2016.

Over the past six months, the Fund's Series O units lost 5.6%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Early in the period, market returns were dominated by concerns about China and its ability to manage its capital markets. This was combined with the continuation of rapidly falling oil prices, which reached a low in mid-February. The rapid turnaround in commodity and equity prices that followed was largely the result of central banks around the globe responding with a combination of asset purchases and interest-rate cuts, which in the case of Japan took official rates negative – much to the market's surprise. An indiscriminate rally followed in February until the end of the first quarter.

Towards the end of the period, the market focus was squarely on the U.K.'s referendum regarding its membership in the EU ("Brexit"), which caused considerable volatility in asset prices at the very end of the period. The Fund was not positioned specifically for either outcome but rather continued to focus on a diversified collection of global equities.

The Fund benefited from individual positions in the Financials, Information Technology and Consumer Discretionary sectors, offset by holdings in the Consumer Staples, Telecommunication Services and Materials sectors.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. This policy had a positive impact on returns in the first half of 2016, as unitholders were protected against a general decline in currencies versus the Canadian dollar.

Recent Developments

Although concerns over Brexit dominated the period, the sub-advisor is mindful that there are many more issues to think about. Much of the world is struggling with negative interest rates and low growth in both GDP and wages. Geopolitical concerns are still very apparent and will possibly be exacerbated by Brexit. As always, the sub-advisor looks to build a portfolio of companies with strong fundamentals that are leaders in their fields and which are well positioned to weather near-term turbulence and deliver strong risk-adjusted returns over the long term.

Effective June 30, 2016, management fees were reduced as follows: from 1.85% to 1.75% for Series C and Advisor Series units; from 1.10% to 1.00% for Series D units; and from 0.85% to 0.75% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions***Manager and Portfolio Manager***

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND*****Other Related-Party Transactions***

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series A												
June 30, 2016	9.73	—	(0.10)	0.22	(0.74)	(0.62)	—	—	—	—	—	9.09
Dec. 31, 2015	9.10	0.22	(0.22)	(0.42)	0.95	0.53	—	—	—	—	—	9.73
Dec. 31, 2014	8.89	0.30	(0.20)	0.84	(0.55)	0.39	—	(0.15)	(0.09)	—	(0.24)	9.10
Dec. 31, 2013	7.59	0.20	(0.18)	0.09	1.22	1.33	—	(0.06)	—	—	(0.06)	8.89
Dec. 31, 2012	6.59	0.26	(0.16)	0.19	1.00	1.29	—	(0.07)	(0.16)	—	(0.23)	7.59
Dec. 31, 2011	8.72	0.35	(0.16)	(0.32)	(1.86)	(1.99)	—	(0.16)	—	—	(0.16)	6.59
Advisor Series												
June 30, 2016	9.73	—	(0.10)	0.22	(0.73)	(0.61)	—	—	—	—	—	9.09
Dec. 31, 2015	9.10	0.21	(0.22)	(0.41)	0.93	0.51	—	—	—	—	—	9.73
Dec. 31, 2014	8.89	0.30	(0.20)	0.84	(0.55)	0.39	—	(0.15)	(0.09)	—	(0.24)	9.10
Dec. 31, 2013	7.59	0.20	(0.18)	0.09	1.21	1.32	—	(0.06)	—	—	(0.06)	8.89
Dec. 31, 2012	6.59	0.26	(0.16)	0.19	1.00	1.29	—	(0.07)	(0.16)	—	(0.23)	7.59
Dec. 31, 2011	8.72	0.35	(0.16)	(0.32)	(1.86)	(1.99)	—	(0.16)	—	—	(0.16)	6.59
Series D												
June 30, 2016	9.46	—	(0.06)	0.21	(0.72)	(0.57)	—	—	—	—	—	8.88
Dec. 31, 2015	8.84	0.21	(0.13)	(0.41)	0.93	0.60	—	(0.08)	—	—	(0.08)	9.46
Dec. 31, 2014	8.64	0.29	(0.12)	0.82	(0.54)	0.45	—	(0.22)	(0.09)	—	(0.31)	8.84
Dec. 31, 2013	7.37	0.19	(0.11)	0.09	1.16	1.33	—	(0.13)	—	—	(0.13)	8.64
Dec. 31, 2012	6.41	0.25	(0.10)	0.18	0.98	1.31	—	(0.13)	(0.16)	—	(0.29)	7.37
Dec. 31, 2011	8.49	0.34	(0.10)	(0.31)	(1.84)	(1.91)	—	(0.21)	—	—	(0.21)	6.41
Series F												
June 30, 2016	9.55	—	(0.05)	0.21	(0.72)	(0.56)	—	—	—	—	—	8.97
Dec. 31, 2015	8.93	0.21	(0.11)	(0.41)	0.93	0.62	—	(0.10)	—	—	(0.10)	9.55
Dec. 31, 2014	8.72	0.29	(0.10)	0.82	(0.54)	0.47	—	(0.25)	(0.09)	—	(0.34)	8.93
Dec. 31, 2013	7.44	0.20	(0.09)	0.09	1.22	1.42	—	(0.15)	—	—	(0.15)	8.72
Dec. 31, 2012	6.46	0.25	(0.08)	0.19	0.99	1.35	—	(0.16)	(0.16)	—	(0.32)	7.44
Dec. 31, 2011	8.56	0.34	(0.08)	(0.31)	(1.84)	(1.89)	—	(0.23)	—	—	(0.23)	6.46
Series O												
June 30, 2016	9.59	—	(0.01)	0.21	(0.73)	(0.53)	—	—	—	—	—	9.05
Dec. 31, 2015	8.96	0.21	(0.02)	(0.41)	0.94	0.72	—	(0.19)	—	—	(0.19)	9.59
Dec. 31, 2014	8.76	0.30	(0.01)	0.82	(0.54)	0.57	—	(0.34)	(0.09)	—	(0.43)	8.96
Dec. 31, 2013	7.47	0.20	(0.01)	0.09	1.21	1.49	—	(0.23)	—	—	(0.23)	8.76
Dec. 31, 2012	6.49	0.26	(0.01)	0.19	0.99	1.43	—	(0.23)	(0.16)	—	(0.39)	7.47
Dec. 31, 2011	8.60	0.34	(0.01)	(0.32)	(1.86)	(1.85)	—	(0.30)	—	—	(0.30)	6.49

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	9.09	624	69	2.34⁴	2.34	23.71	—
Dec. 31, 2015	9.73	733	75	2.30	2.30	20.40	0.17
Dec. 31, 2014	9.10	606	67	2.31	2.31	11.71	0.42
Dec. 31, 2013	8.89	690	78	2.31	2.31	15.31	0.40
Dec. 31, 2012	7.59	774	102	2.32	2.32	26.95	0.38
Dec. 31, 2011	6.59	474	72	2.30	2.30	22.35	0.34
Advisor Series							
June 30, 2016	9.09	1 802	198	2.33⁴	2.33	23.71	—
Dec. 31, 2015	9.73	1 675	172	2.30	2.30	20.40	0.17
Dec. 31, 2014	9.10	111	12	2.30	2.30	11.71	0.42
Dec. 31, 2013	8.89	176	20	2.31	2.31	15.31	0.40
Dec. 31, 2012	7.59	62	8	2.32	2.32	26.95	0.38
Dec. 31, 2011	6.59	11	2	2.30	2.30	22.35	0.34
Series D							
June 30, 2016	8.88	14 213	1 601	1.43⁴	1.43	23.71	—
Dec. 31, 2015	9.46	11 977	1 266	1.43	1.43	20.40	0.17
Dec. 31, 2014	8.84	11 692	1 322	1.44	1.44	11.71	0.42
Dec. 31, 2013	8.64	14 496	1 678	1.45	1.45	15.31	0.40
Dec. 31, 2012	7.37	35 554	4 822	1.48	1.48	26.95	0.38
Dec. 31, 2011	6.41	42 109	6 573	1.48	1.48	22.35	0.34
Series F							
June 30, 2016	8.97	3 431	382	1.22⁴	1.22	23.71	—
Dec. 31, 2015	9.55	3 268	342	1.19	1.19	20.40	0.17
Dec. 31, 2014	8.93	700	78	1.20	1.20	11.71	0.42
Dec. 31, 2013	8.72	1 042	119	1.18	1.18	15.31	0.40
Dec. 31, 2012	7.44	827	111	1.18	1.18	26.95	0.38
Dec. 31, 2011	6.46	794	123	1.21	1.21	22.35	0.34
Series O							
June 30, 2016	9.05	145 574	16 081	0.24	0.24	23.71	—
Dec. 31, 2015	9.59	153 811	16 036	0.24	0.24	20.40	0.17
Dec. 31, 2014	8.96	121 375	13 542	0.25	0.25	11.71	0.42
Dec. 31, 2013	8.76	179 288	20 476	0.24	0.24	15.31	0.40
Dec. 31, 2012	7.47	187 165	25 054	0.25	0.25	26.95	0.38
Dec. 31, 2011	6.49	142 835	22 010	0.25	0.25	22.35	0.34

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.22%, Advisor Series – 2.22%, Series D – 1.32% and Series F – 1.11%.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.75%	54%	46%
Advisor Series	1.75%	54%	46%
Series D	1.00%	23%	77%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

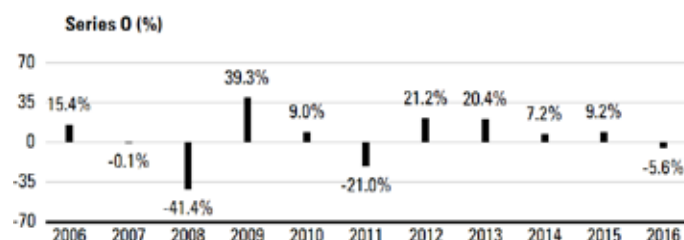
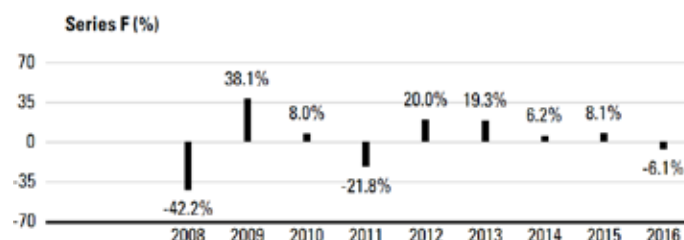
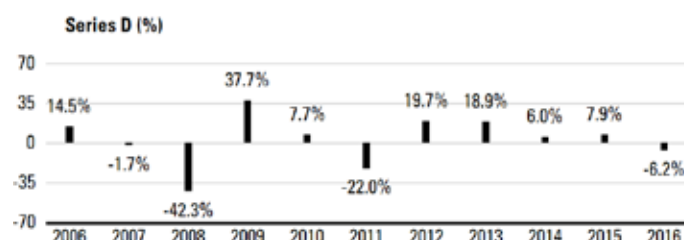
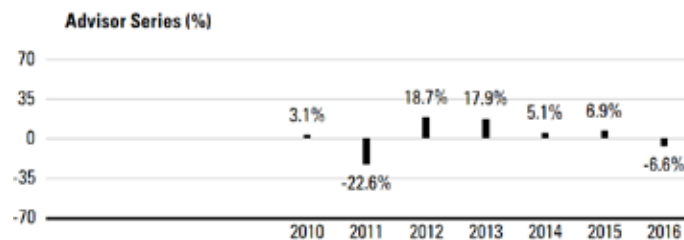
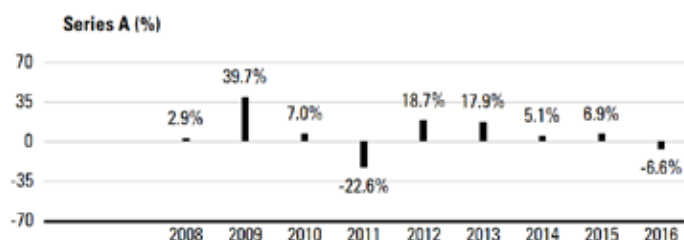
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, Series F units since December 2007, and Series D and Series O units since June 2006.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
SUMMARY OF INVESTMENT PORTFOLIO
(after consideration of derivative products, if any)
As at June 30, 2016
Investment Mix – Sectors

	% of Net Asset Value
Financials	20.9
Industrials	17.2
Consumer Discretionary	16.6
Consumer Staples	12.6
Health Care	10.9
Information Technology	5.5
Materials	5.1
Energy	4.9
Telecommunication Services	3.7
Utilities	0.9
Cash/Other	1.7

Investment Mix – Countries/Regions

	% of Net Asset Value
Europe ex-United Kingdom Equities	43.2
Japan Equities	20.4
Pacific Rim ex-Japan Equities	14.9
United Kingdom Equities	14.8
Middle East and Africa Equities	4.7
Cash/Other	2.0

Top 25 Holdings*

	% of Net Asset Value
InBev N.V.	4.9
Naspers Ltd.	4.8
Pernod-Ricard S.A.	4.4
Safran S.A.	4.3
Roche Holdings AG Genussscheine	4.1
Deutsche Post AG	3.9
AIA Group Ltd.	3.8
Novo Nordisk A/S	3.7
Nidec Corp.	3.6
HDFC Bank Ltd. ADR	3.5
InterContinental Hotels Group Plc.	3.3
Admiral Group Plc.	3.3
Astellas Pharma Inc.	3.2
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	3.2
SMC Corp.	3.1
Oil Search Ltd.	2.6
Kubota Corp.	2.6
Paddy Power Betfair Plc.	2.4
Royal Dutch Shell Plc., B Shares	2.4
ASML Holding N.V.	2.4
Toyota Motor Corp.	2.3
St James's Place Plc.	2.2
Svenska Cellulosa AB	2.0
Partners Group Holding AG	2.0
Oriental Land Co. Ltd.	2.0
Top 25 Holdings	80.0

* The Fund invests substantially all of its assets directly in the Phillips, Hager & North Overseas Equity Fund. The above are the Top 25 holdings of the Phillips, Hager & North Overseas Equity Fund.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly, and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

GLOBAL EQUITY FUND

PHILLIPS, HAGER & NORTH GLOBAL EQUITY FUND

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

Sub-Advisor: RBC Global Asset Management (UK) Limited

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth by investing primarily in common stocks of companies in the world's largest industrialized countries outside Canada, including the United States and countries in Europe, as well as Japan, Australia and the rest of the Far East. The portfolio manager invests primarily in companies that they believe have sound fundamentals, a strong market position, a history of profitability, a capable management team, and attractive valuations.

Results of Operations

The Fund's net asset value was \$107 million as of June 30, 2016.

Over the past six months, the Fund's Series O units lost 5.1%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Early in the period, market returns were dominated by concerns about China and its ability to manage its capital markets. This was combined with the continuation of rapidly falling oil prices, which reached a low in mid-February. The rapid turnaround in commodity and equity prices that followed was largely the result of central banks around the globe responding with a combination of asset purchases and interest-rate cuts, which in the case of Japan took official rates negative – much to the market's surprise. An indiscriminate rally followed in February until the end of the first quarter.

Towards the end of the period, the market focus was squarely on the U.K.'s referendum regarding its membership in the EU ("Brexit"), which caused considerable volatility in asset prices at the very end of the period. The Fund was not positioned specifically for either outcome but rather continued to focus on a diversified collection of global equities.

The Fund benefited from individual positions in the Information Technology, Consumer Discretionary and Financials sectors. Holdings in the Financials and Consumer Discretionary sectors had a negative impact on performance, albeit to a lesser extent.

Recent Developments

Although concerns over Brexit dominated the period, the sub-advisor is mindful that there are many more issues to think about. Much of the world is struggling with negative interest rates and low growth in both GDP and wages. Geopolitical concerns are still very apparent and will possibly be exacerbated by Brexit. As always, the sub-advisor looks to build a portfolio of companies with strong fundamentals that are leaders in their fields and which are well positioned to weather near-term turbulence and deliver strong risk-adjusted returns over the long term.

Effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Sub-Advisor

RBC Global Asset Management (UK) Limited is the sub-advisor and provides investment advice for the Fund.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$2,000 (2015 – \$14,000), or 2% (2015 – 15%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;

- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total		
Series A													
June 30, 2016	14.47	0.19	(0.14)	0.38	(1.33)	(0.90)	—	—	—	—	—	13.60	
Dec. 31, 2015	11.82	0.23	(0.28)	0.73	1.95	2.63	—	—	—	—	—	14.47	
Dec. 31, 2014	10.25	0.06	(0.22)	3.01	(1.28)	1.57	—	—	—	—	—	11.82	
Dec. 31, 2013	7.90	0.24	(0.19)	0.53	1.88	2.46	—	(0.07)	—	—	(0.07)	10.25	
Dec. 31, 2012	7.13	0.21	(0.16)	(0.05)	0.86	0.86	—	(0.06)	—	—	(0.06)	7.90	
Dec. 31, 2011	8.21	0.30	(0.15)	(0.31)	(0.74)	(0.90)	—	(0.23)	—	—	(0.23)	7.13	
Advisor Series													
June 30, 2016	14.47	0.19	(0.14)	0.38	(1.33)	(0.90)	—	—	—	—	—	13.60	
Dec. 31, 2015	11.82	0.23	(0.28)	0.73	1.94	2.62	—	—	—	—	—	14.47	
Dec. 31, 2014	10.25	0.06	(0.22)	3.00	(1.27)	1.57	—	—	—	—	—	11.82	
Dec. 31, 2013	7.90	0.23	(0.19)	0.52	1.86	2.42	—	(0.07)	—	—	(0.07)	10.25	
Dec. 31, 2012	7.13	0.21	(0.16)	(0.05)	0.86	0.86	—	(0.06)	—	—	(0.06)	7.90	
Dec. 31, 2011	8.21	0.30	(0.15)	(0.31)	(0.74)	(0.90)	—	(0.23)	—	—	(0.23)	7.13	
Series D													
June 30, 2016	14.69	0.19	(0.08)	0.39	(1.36)	(0.86)	—	—	—	—	—	13.86	
Dec. 31, 2015	11.94	0.23	(0.16)	0.74	1.98	2.79	—	(0.06)	—	—	(0.06)	14.69	
Dec. 31, 2014	10.27	0.06	(0.13)	3.02	(1.28)	1.67	—	—	—	—	—	11.94	
Dec. 31, 2013	7.92	0.23	(0.11)	0.52	1.86	2.50	—	(0.15)	—	—	(0.15)	10.27	
Dec. 31, 2012	7.15	0.21	(0.09)	(0.05)	0.87	0.94	—	(0.13)	—	—	(0.13)	7.92	
Dec. 31, 2011	8.23	0.30	(0.09)	(0.31)	(0.74)	(0.84)	—	(0.30)	—	—	(0.30)	7.15	
Series F													
June 30, 2016	14.87	0.20	(0.07)	0.39	(1.37)	(0.85)	—	—	—	—	—	14.06	
Dec. 31, 2015	12.10	0.24	(0.13)	0.75	1.99	2.85	—	(0.10)	—	—	(0.10)	14.87	
Dec. 31, 2014	10.38	0.06	(0.11)	3.08	(1.31)	1.72	—	—	—	—	—	12.10	
Dec. 31, 2013	8.00	0.24	(0.09)	0.53	1.91	2.59	—	(0.17)	—	—	(0.17)	10.38	
Dec. 31, 2012	7.22	0.21	(0.07)	(0.05)	0.88	0.97	—	(0.16)	—	—	(0.16)	8.00	
Dec. 31, 2011	8.31	0.31	(0.07)	(0.32)	(0.75)	(0.83)	—	(0.32)	—	—	(0.32)	7.22	
Series O													
June 30, 2016	15.08	0.20	—	0.40	(1.39)	(0.79)	—	—	—	—	—	14.31	
Dec. 31, 2015	12.26	0.24	(0.01)	0.77	2.04	3.04	—	(0.23)	—	—	(0.23)	15.08	
Dec. 31, 2014	10.43	0.06	(0.01)	3.08	(1.31)	1.82	—	—	—	—	—	12.26	
Dec. 31, 2013	8.04	0.23	(0.01)	0.52	1.87	2.61	—	(0.27)	—	—	(0.27)	10.43	
Dec. 31, 2012	7.26	0.22	(0.01)	(0.05)	0.89	1.05	—	(0.23)	—	—	(0.23)	8.04	
Dec. 31, 2011	8.36	0.30	(0.01)	(0.31)	(0.73)	(0.75)	—	(0.39)	—	—	(0.39)	7.26	

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	13.60	6 912	508	2.06	2.06	43.59	0.20
Dec. 31, 2015	14.47	7 246	501	2.06	2.06	38.75	0.17
Dec. 31, 2014	11.82	3 640	308	2.09	2.09	131.52	0.28
Dec. 31, 2013	10.25	2 921	285	2.12	2.12	15.07	0.24
Dec. 31, 2012	7.90	1 840	233	2.14	2.14	16.15	0.22
Dec. 31, 2011	7.13	1 582	222	2.16	2.16	218.65	0.12
Advisor Series							
June 30, 2016	13.60	3 051	224	2.06	2.06	43.59	0.20
Dec. 31, 2015	14.47	3 686	255	2.06	2.06	38.75	0.17
Dec. 31, 2014	11.82	879	74	2.09	2.09	131.52	0.28
Dec. 31, 2013	10.25	637	62	2.12	2.12	15.07	0.24
Dec. 31, 2012	7.90	267	34	2.14	2.14	16.15	0.22
Dec. 31, 2011	7.13	122	17	2.16	2.16	218.65	0.12
Series D							
June 30, 2016	13.86	50 663	3 654	1.19	1.19	43.59	0.20
Dec. 31, 2015	14.69	52 874	3 600	1.19	1.19	38.75	0.17
Dec. 31, 2014	11.94	36 737	3 076	1.22	1.22	131.52	0.28
Dec. 31, 2013	10.27	34 029	3 312	1.26	1.26	15.07	0.24
Dec. 31, 2012	7.92	34 301	4 333	1.28	1.28	16.15	0.22
Dec. 31, 2011	7.15	36 198	5 065	1.30	1.30	218.65	0.12
Series F							
June 30, 2016	14.06	2 689	191	0.95	0.95	43.59	0.20
Dec. 31, 2015	14.87	2 536	171	0.95	0.95	38.75	0.17
Dec. 31, 2014	12.10	435	36	0.97	0.97	131.52	0.28
Dec. 31, 2013	10.38	207	20	1.01	1.01	15.07	0.24
Dec. 31, 2012	8.00	152	19	0.97	0.97	16.15	0.22
Dec. 31, 2011	7.22	156	22	1.00	1.00	218.65	0.12
Series O							
June 30, 2016	14.31	44 010	3 075	0.07	0.07	43.59	0.20
Dec. 31, 2015	15.08	54 566	3 619	0.07	0.07	38.75	0.17
Dec. 31, 2014	12.26	48 282	3 938	0.10	0.10	131.52	0.28
Dec. 31, 2013	10.43	58 479	5 605	0.12	0.12	15.07	0.24
Dec. 31, 2012	8.04	70 410	8 759	0.13	0.13	16.15	0.22
Dec. 31, 2011	7.26	65 409	9 013	0.15	0.15	218.65	0.12

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

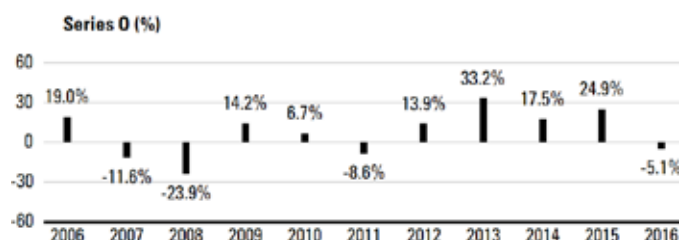
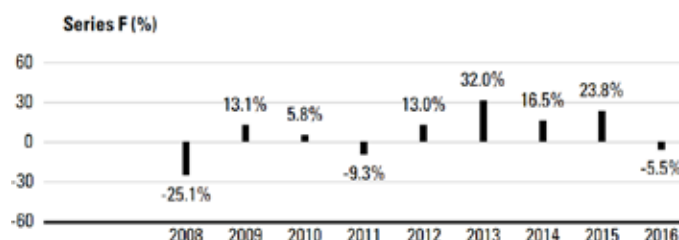
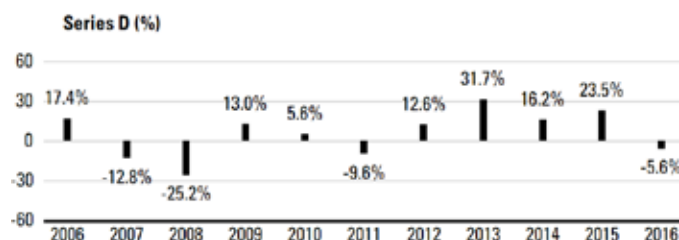
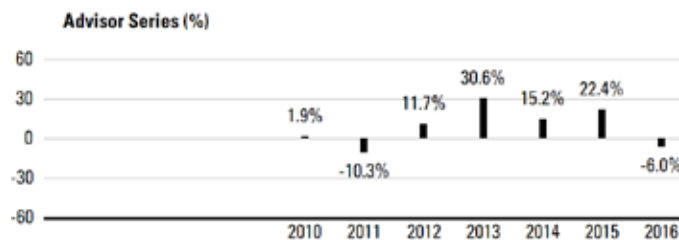
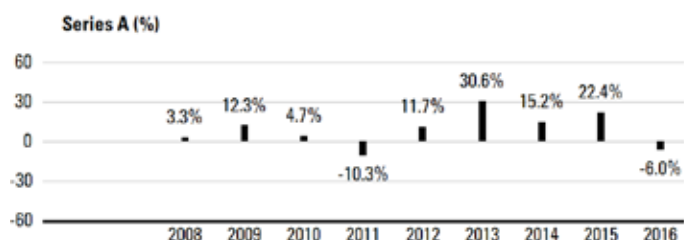
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

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Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



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Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix – Sectors

	% of Net Asset Value
Consumer Discretionary	16.5
Financials	16.1
Information Technology	14.9
Health Care	14.3
Industrials	12.2
Consumer Staples	9.8
Energy	8.2
Materials	3.9
Utilities	3.3
Cash/Other	0.8

Investment Mix – Countries/Regions

	% of Net Asset Value
United States Equities	58.9
Europe ex-United Kingdom Equities	20.6
Pacific Rim ex-Japan Equities	8.2
United Kingdom Equities	5.0
Middle East and Africa Equities	3.3
Japan Equities	3.2
Cash/Other	0.8

Top 25 Holdings

	% of Net Asset Value
TJX Companies Inc.	4.1
Danaher Corp.	4.1
Intuit Inc.	4.0
First Republic Bank	3.9
International Flavors & Fragrances Inc.	3.9
EOG Resources Inc.	3.9
HDFC Bank Ltd. ADR	3.9
UnitedHealth Group Incorporated	3.8
Pernod-Ricard S.A.	3.4
Amazon.com, Inc.	3.4
Naspers Ltd.	3.3
Estée Lauder Companies Inc., Class A	3.3
ITC Holdings Corp.	3.3
Safran S.A.	3.2
Roche Holdings AG Genusscheine	3.1
Blackstone Group LP	3.1
InBev N.V.	3.1
Deutsche Post AG	3.1
Cognizant Technology Solutions Corp., Class A	3.1
Alphabet Inc., Class A	3.0
Novo Nordisk A/S	2.9
Amgen Inc.	2.9
InterContinental Hotels Group Plc.	2.7
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	2.5
Gartner Inc.	2.4
Top 25 Holdings	83.4

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

GLOBAL EQUITY FUND

**PHILLIPS, HAGER & NORTH
 COMMUNITY VALUES GLOBAL
 EQUITY FUND**

 June 30, 2016
Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

Sub-Advisor: RBC Global Asset Management (UK) Limited

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE**Investment Objective and Strategies**

The Fund seeks to provide investors with long-term capital growth by investing primarily in common stocks of companies in the world's largest industrialized countries outside Canada, including the United States and countries in Europe, as well as Japan, Australia and the rest of the Far East. The portfolio manager's intention is that the securities of companies that conduct themselves in a socially responsible manner will be included in the portfolio. To achieve the Fund's investment objective, the portfolio manager invests primarily in companies that they believe have sound fundamentals, a strong market position, a history of profitability, a capable management team, and attractive valuations.

Results of Operations

The Fund's net asset value was \$124 million as of June 30, 2016.

Over the past six months, the Fund's Series O units lost 5.6%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Early in the period, market returns were dominated by concerns about China and its ability to manage its capital markets. This was combined with the continuation of rapidly falling oil prices, which reached a low in mid-February. The rapid turnaround in commodity and equity prices that followed was largely the result of central banks around the globe responding with a combination of asset purchases and interest-rate cuts, which in the case of Japan took official interest rates negative – much to the market's surprise. An indiscriminate rally followed in February until the end of the first quarter.

Towards the end of the period, the market focus was squarely on the U.K.'s referendum regarding its membership in the EU ("Brexit"), which caused considerable volatility in asset prices at the very end of the period. The Fund was not positioned specifically for either outcome but rather continued to focus on a diversified collection of global equities.

The Fund benefited from individual positions in the Information Technology and Consumer Discretionary sectors, offset by holdings in the Financials, Consumer Staples and Telecommunication Services sectors.

Recent Developments

Although concerns over Brexit dominated the period, the sub-advisor is mindful that there are many more issues to think about. Much of the world is struggling with negative interest rates and low growth in both GDP and wages. Geopolitical concerns are still very apparent and will possibly be exacerbated by Brexit. As always, the sub-advisor

looks to build a portfolio of companies with strong fundamentals that are leaders in their fields and which are well positioned to weather near-term turbulence and deliver strong risk-adjusted returns over the long term.

Effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions***Manager and Portfolio Manager***

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Sub-Advisor

RBC Global Asset Management (UK) Limited is the sub-advisor and provides investment advice for the Fund.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokerage

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$12,000 (2015 – \$14,000), or 11% (2015 – 21%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series A												
June 30, 2016	13.70	0.19	(0.13)	0.34	(1.25)	(0.85)	—	—	—	—	—	12.80
Dec. 31, 2015	11.52	0.24	(0.27)	0.91	1.65	2.53	—	—	(0.33)	—	(0.33)	13.70
Dec. 31, 2014	11.10	0.26	(0.25)	2.59	(1.03)	1.57	—	(0.02)	(1.13)	—	(1.15)	11.52
Dec. 31, 2013	8.43	0.21	(0.20)	0.98	1.70	2.69	—	(0.01)	—	—	(0.01)	11.10
Dec. 31, 2012	7.61	0.20	(0.17)	(0.19)	0.97	0.81	—	(0.03)	—	—	(0.03)	8.43
Dec. 31, 2011	8.66	0.24	(0.16)	(0.26)	(0.76)	(0.94)	—	(0.08)	—	—	(0.08)	7.61
Advisor Series												
June 30, 2016	13.70	0.19	(0.13)	0.34	(1.25)	(0.85)	—	—	—	—	—	12.81
Dec. 31, 2015	11.53	0.24	(0.27)	0.91	1.65	2.53	—	—	(0.33)	—	(0.33)	13.70
Dec. 31, 2014	11.10	0.26	(0.25)	2.58	(1.03)	1.56	—	(0.02)	(1.13)	—	(1.15)	11.53
Dec. 31, 2013	8.43	0.21	(0.21)	0.98	1.70	2.68	—	(0.01)	—	—	(0.01)	11.10
Dec. 31, 2012	7.61	0.20	(0.17)	(0.19)	0.97	0.81	—	(0.03)	—	—	(0.03)	8.43
Dec. 31, 2011	8.66	0.24	(0.16)	(0.26)	(0.76)	(0.94)	—	(0.08)	—	—	(0.08)	7.61
Series D												
June 30, 2016	13.63	0.19	(0.08)	0.34	(1.25)	(0.80)	—	—	—	—	—	12.79
Dec. 31, 2015	11.43	0.24	(0.16)	0.91	1.64	2.63	—	(0.08)	(0.33)	—	(0.41)	13.63
Dec. 31, 2014	11.03	0.26	(0.15)	2.58	(1.02)	1.67	—	(0.12)	(1.13)	—	(1.25)	11.43
Dec. 31, 2013	8.38	0.20	(0.12)	0.97	1.68	2.73	—	(0.11)	—	—	(0.11)	11.03
Dec. 31, 2012	7.56	0.20	(0.10)	(0.19)	0.97	0.88	—	(0.10)	—	—	(0.10)	8.38
Dec. 31, 2011	8.60	0.24	(0.10)	(0.26)	(0.76)	(0.88)	—	(0.14)	—	—	(0.14)	7.56
Series F												
June 30, 2016	13.62	0.19	(0.06)	0.34	(1.25)	(0.78)	—	—	—	—	—	12.80
Dec. 31, 2015	11.43	0.24	(0.13)	0.91	1.64	2.66	—	(0.11)	(0.32)	—	(0.43)	13.62
Dec. 31, 2014	11.02	0.26	(0.12)	2.58	(1.02)	1.70	—	(0.15)	(1.13)	—	(1.28)	11.43
Dec. 31, 2013	8.37	0.21	(0.10)	0.99	1.71	2.81	—	(0.13)	—	—	(0.13)	11.02
Dec. 31, 2012	7.55	0.20	(0.08)	(0.19)	0.96	0.89	—	(0.12)	—	—	(0.12)	8.37
Dec. 31, 2011	8.59	0.23	(0.08)	(0.26)	(0.74)	(0.85)	—	(0.16)	—	—	(0.16)	7.55
Series O												
June 30, 2016	13.87	0.19	(0.01)	0.34	(1.27)	(0.75)	—	—	—	—	—	13.09
Dec. 31, 2015	11.64	0.24	(0.02)	0.93	1.68	2.83	—	(0.23)	(0.34)	—	(0.57)	13.87
Dec. 31, 2014	11.20	0.26	(0.02)	2.63	(1.05)	1.82	—	(0.26)	(1.13)	—	(1.39)	11.64
Dec. 31, 2013	8.51	0.21	(0.02)	0.99	1.72	2.90	—	(0.23)	—	—	(0.23)	11.20
Dec. 31, 2012	7.67	0.20	(0.01)	(0.19)	0.98	0.98	—	(0.19)	—	—	(0.19)	8.51
Dec. 31, 2011	8.74	0.24	(0.01)	(0.27)	(0.78)	(0.82)	—	(0.23)	—	—	(0.23)	7.67

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	12.80	3 167	247	2.08	2.08	40.82	0.18
Dec. 31, 2015	13.70	3 528	258	2.08	2.08	35.36	0.15
Dec. 31, 2014	11.52	1 914	166	2.08	2.08	213.55	0.29
Dec. 31, 2013	11.10	1 320	119	2.12	2.12	57.54	0.20
Dec. 31, 2012	8.44	522	62	2.10	2.10	89.40	0.26
Dec. 31, 2011	7.61	378	50	2.11	2.11	95.36	0.18
Advisor Series							
June 30, 2016	12.81	4 045	316	2.07	2.07	40.82	0.18
Dec. 31, 2015	13.70	3 010	220	2.07	2.07	35.36	0.15
Dec. 31, 2014	11.53	1 259	109	2.09	2.09	213.55	0.29
Dec. 31, 2013	11.10	697	63	2.12	2.12	57.54	0.20
Dec. 31, 2012	8.44	149	18	2.10	2.10	89.40	0.26
Dec. 31, 2011	7.61	67	9	2.11	2.11	95.36	0.18
Series D							
June 30, 2016	12.79	12 629	987	1.25	1.25	40.82	0.18
Dec. 31, 2015	13.63	13 458	987	1.24	1.24	35.36	0.15
Dec. 31, 2014	11.43	8 053	704	1.24	1.24	213.55	0.29
Dec. 31, 2013	11.03	6 801	617	1.25	1.25	57.54	0.20
Dec. 31, 2012	8.38	5 844	697	1.28	1.28	89.40	0.26
Dec. 31, 2011	7.56	5 655	748	1.28	1.28	95.36	0.18
Series F							
June 30, 2016	12.80	3 130	245	0.98	0.98	40.82	0.18
Dec. 31, 2015	13.62	1 900	139	1.00	1.00	35.36	0.15
Dec. 31, 2014	11.43	754	66	0.98	0.98	213.55	0.29
Dec. 31, 2013	11.02	308	28	1.03	1.03	57.54	0.20
Dec. 31, 2012	8.37	91	11	1.02	1.02	89.40	0.26
Dec. 31, 2011	7.55	40	5	1.01	1.01	95.36	0.18
Series O							
June 30, 2016	13.09	101 275	7 738	0.17	0.17	40.82	0.18
Dec. 31, 2015	13.87	101 222	7 297	0.17	0.17	35.36	0.15
Dec. 31, 2014	11.64	91 808	7 886	0.17	0.17	213.55	0.29
Dec. 31, 2013	11.20	78 624	7 018	0.16	0.16	57.54	0.20
Dec. 31, 2012	8.51	73 186	8 598	0.17	0.17	89.40	0.26
Dec. 31, 2011	7.68	57 418	7 478	0.18	0.18	95.36	0.18

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
FINANCIAL HIGHLIGHTS (cont.)
Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

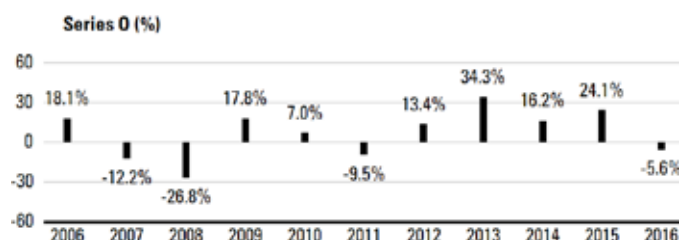
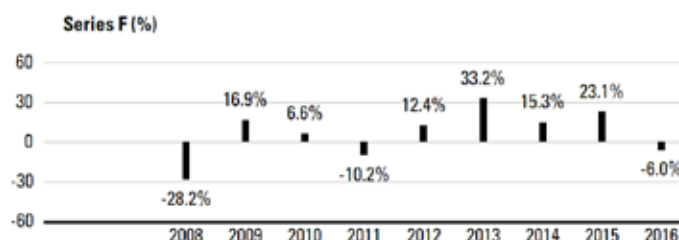
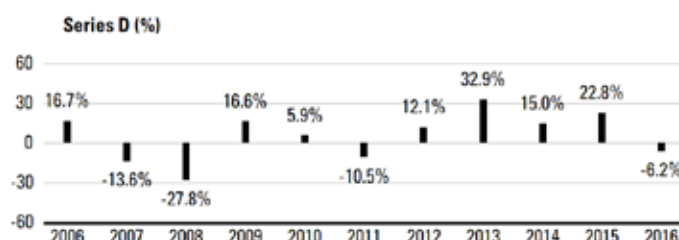
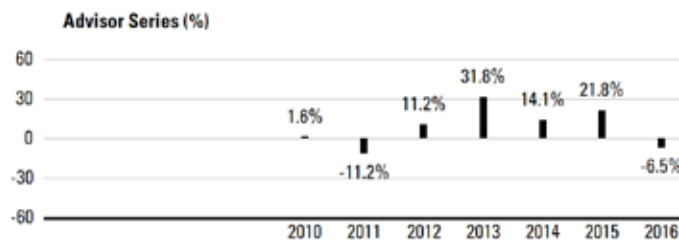
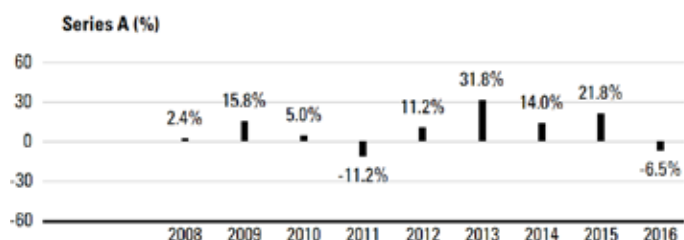
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For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
SUMMARY OF INVESTMENT PORTFOLIO
(after consideration of derivative products, if any)
As at June 30, 2016
Investment Mix – Sectors

	% of Net Asset Value
Health Care	18.5
Information Technology	16.2
Financials	15.4
Industrials	14.6
Consumer Discretionary	12.4
Energy	7.0
Materials	6.1
Consumer Staples	4.3
Utilities	3.2
Telecommunication Services	1.1
Cash/Other	1.2

Investment Mix – Countries/Regions

	% of Net Asset Value
United States Equities	60.1
Europe ex-United Kingdom Equities	15.4
United Kingdom Equities	7.7
Japan Equities	6.7
Pacific Rim ex-Japan Equities	5.1
Middle East & Africa Equities	3.8
Cash/Other	1.2

Top 25 Holdings

	% of Net Asset Value
Intuit Inc.	4.6
UnitedHealth Group Incorporated	4.4
International Flavors & Fragrances Inc.	4.3
Danaher Corp.	4.3
First Republic Bank	4.2
TJX Companies Inc.	4.1
Deutsche Post AG	3.9
EOG Resources Inc.	3.9
Naspers Ltd.	3.8
Estée Lauder Companies Inc., Class A	3.7
Roche Holdings AG Genusscheine	3.6
Safran S.A.	3.6
Alphabet Inc., Class A	3.4
Novo Nordisk A/S	3.4
Amgen Inc.	3.4
Cognizant Technology Solutions Corp., Class A	3.4
ITC Holdings Corp.	3.2
Blackstone Group LP	3.2
InterContinental Hotels Group Plc.	2.9
AIA Group Ltd.	2.6
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	2.5
Gartner Inc.	2.4
Astellas Pharma Inc.	2.2
Ecolab Inc.	1.8
St James's Place Plc.	1.7
Top 25 Holdings	84.5

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2015 FUND**
June 30, 2016
Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2015 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds ("ETFs"), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Results of Operations

The Fund's net asset value was \$10 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 5.7%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

U.S. economic growth continued to lead the world's developed markets, while growth in Japan and in much of Europe and emerging markets continued to disappoint. Signs of significantly slower global economic growth appeared early in January 2016, leading to sharp financial-market declines in the first few weeks of the year. Oil prices followed growth expectations lower and by February had touched the lowest level in more than a decade, depressed in part by a surge in supply relative to demand. Oil prices and financial markets recovered somewhat beginning in February, and the rebound continued for much of the first quarter. In the second half of the period, the debate leading up to the U.K.'s eventual decision to exit the EU ("Brexit") largely replaced growth concerns as the main driver of markets.

Government-bond yields in the U.S., Japan, Germany and Canada fell to record lows amid Brexit concerns, leading to gains for investors as bond prices rose. Non-government bonds posted increases, with high-yield bonds performing particularly well following the oil-price rebound. Among fixed-income funds in the portfolio, the Phillips, Hager & North Inflation-Linked Bond Fund was the largest contributor to returns.

North American equities posted gains during the period led by Canadian markets, which benefited from a rebound in commodity prices. U.S. equities had gains in the low single digits, while Brexit worries resulted in losses for markets in Europe and Asia. Equity funds that were the largest positive contributors to returns were the Phillips, Hager & North Canadian Equity Underlying Fund and the RBC QUBE Low Volatility Global Equity Fund.

Recent Developments

The portfolio manager's core scenario contemplates sluggish global economic growth and low inflation, and the threats to the forecast appear tilted to the downside. Negative interest rates and full-fledged quantitative-easing programs are now in force in the Eurozone and Japan, and the Bank of England may cut interest rates in response to Brexit. The U.S. Federal Reserve, meanwhile, is likely to push ahead with rate hikes, although the timing is uncertain and data-dependent. While interest rates are at unusually low levels, the path to higher yields will likely be gradual and stretched over a very long period given current and forecast economic conditions. The bulk of recent equity-market gains have been delivered through expanding valuations, so profit growth is, in the view of the portfolio manager, now critical to keeping the bull market alive.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital			
Series D													
June 30, 2016	10.96	0.10	(0.05)	(0.02)	0.57	0.60	—	—	—	—	—	11.53	
Dec. 31, 2015	11.19	0.31	(0.11)	0.65	(0.22)	0.63	(0.13)	(0.09)	(0.65)	—	(0.87)	10.96	
Dec. 31, 2014	10.65	0.39	(0.11)	0.46	0.45	1.19	(0.17)	(0.09)	(0.46)	—	(0.72)	11.19	
Dec. 31, 2013	10.62	0.31	(0.11)	0.27	0.03	0.50	(0.12)	(0.06)	(0.31)	—	(0.49)	10.65	
Dec. 31, 2012	10.19	0.40	(0.10)	0.30	0.13	0.73	(0.10)	(0.07)	(0.19)	—	(0.36)	10.62	
Dec. 31, 2011 ³	10.28 [†]	0.15	(0.05)	0.06	0.04	0.20	(0.12)	(0.07)	(0.21)	—	(0.40)	10.19	
Series O													
June 30, 2016	10.92	0.10	(0.01)	(0.02)	0.57	0.64	—	—	—	—	—	11.54	
Dec. 31, 2015	11.16	0.32	(0.01)	0.65	(0.22)	0.74	(0.19)	(0.13)	(0.65)	—	(0.97)	10.92	
Dec. 31, 2014	10.63	0.39	(0.01)	0.47	0.46	1.31	(0.23)	(0.13)	(0.46)	—	(0.82)	11.16	
Dec. 31, 2013	10.58	0.31	(0.01)	0.27	0.03	0.60	(0.18)	(0.09)	(0.31)	—	(0.58)	10.63	
Dec. 31, 2012	10.15	0.46	(0.01)	0.35	0.15	0.95	(0.15)	(0.11)	(0.19)	—	(0.45)	10.58	
Dec. 31, 2011 ⁴	10.00 [†]	0.39	(0.01)	0.17	0.11	0.66	(0.18)	(0.10)	(0.21)	—	(0.49)	10.15	

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2011.

⁴ From January 2011.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2016	11.53	6 307	547	0.90	0.93	43.72	—
Dec. 31, 2015	10.96	5 187	473	0.90	0.93	85.81	0.03
Dec. 31, 2014	11.19	4 843	433	0.96	1.01	34.41	0.08
Dec. 31, 2013	10.65	3 522	331	0.96	1.02	31.53	0.09
Dec. 31, 2012	10.61	2 073	195	0.94	1.16	17.70	0.12
Dec. 31, 2011 ⁴	10.19	212	21	0.98	1.77	11.83	0.17
Series O							
June 30, 2016	11.54	3 238	280	0.08	0.12	43.72	—
Dec. 31, 2015	10.92	2 750	252	0.08	0.12	85.81	0.03
Dec. 31, 2014	11.16	2 554	229	0.08	0.13	34.41	0.08
Dec. 31, 2013	10.63	1 838	173	0.09	0.15	31.53	0.09
Dec. 31, 2012	10.57	1 024	97	0.09	0.31	17.70	0.12
Dec. 31, 2011 ⁵	10.15	386	38	0.09	0.88	11.83	0.17

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2011.

⁵ From January 2011.

Management Fees

RBC GAM is the manager and portfolio manager of the Fund.

Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	0.75%	31%	69%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

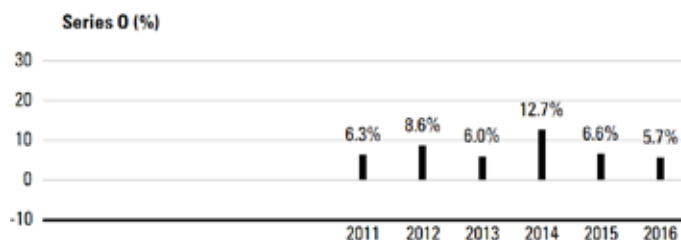
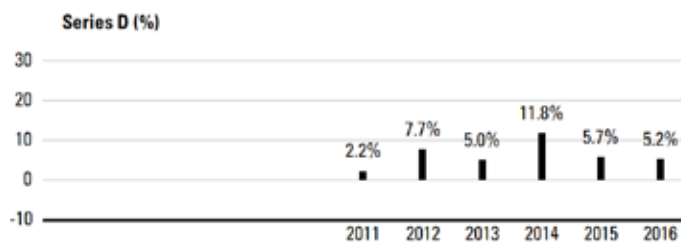
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Series D units have been available for sale to unitholders since June 2011, and Series O units since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Bonds	62.0
Global Equities	20.7
Canadian Equities	6.7
United States Equities	4.1
Cash/Other	6.5

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Inflation-Linked Bond Fund	35.2
Phillips, Hager & North Bond Fund	26.9
RBC QUBE Low Volatility Global Equity Fund	20.7
Phillips, Hager & North Canadian Equity Underlying Fund	6.2
Phillips, Hager & North Conservative Equity Income Fund	6.1
Vanguard Real Estate Investment Trust Fund	4.1
Phillips, Hager & North Canadian Money Market Fund	0.5
Cash & Cash Equivalents	0.3
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

TARGET DATE FUND

PHILLIPS, HAGER & NORTH
LIFETIME 2020 FUND

 June 30, 2016

Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

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MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2020 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds ("ETFs"), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Results of Operations

The Fund's net asset value was \$30 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 5.4%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

U.S. economic growth continued to lead the world's developed markets, while growth in Japan and in much of Europe and emerging markets continued to disappoint. Signs of significantly slower global economic growth appeared early in January 2016, leading to sharp financial-market declines in the first few weeks of the year. Oil prices followed growth expectations lower and by February had touched the lowest level in more than a decade, depressed in part by a surge in supply relative to demand. Oil prices and financial markets recovered somewhat beginning in February, and the rebound continued for much of the first quarter. In the second half of the period, the debate leading up to the U.K.'s eventual decision to exit the EU ("Brexit") largely replaced growth concerns as the main driver of markets.

Government-bond yields in the U.S., Japan, Germany and Canada fell to record lows amid Brexit concerns, leading to gains for investors as bond prices rose. Non-government bonds posted increases, with high-yield bonds performing particularly well following the oil-price rebound. Among fixed-income funds in the portfolio, the Phillips, Hager & North Inflation-Linked Bond Fund was the largest contributor to returns.

North American equities posted gains during the period led by Canadian markets, which benefited from a rebound in commodity prices. U.S. equities had gains in the low single digits, while Brexit worries resulted in losses for markets in Europe and Asia. Equity funds that were the largest positive contributors to returns were the Phillips, Hager & North Canadian Equity Underlying Fund and the RBC QUBE Low Volatility Global Equity Fund.

Recent Developments

The portfolio manager's core scenario contemplates sluggish global economic growth and low inflation, and the threats to the forecast appear tilted to the downside. Negative interest rates and full-fledged quantitative-easing programs are now in force in the Eurozone and Japan, and the Bank of England may cut interest rates in response to Brexit. The U.S. Federal Reserve, meanwhile, is likely to push ahead with rate hikes, although the timing is uncertain and data-dependent. While interest rates are at unusually low levels, the path to higher yields will likely be gradual and stretched over a very long period given current and forecast economic conditions. The bulk of recent equity-market gains have been delivered through expanding valuations, so profit growth is, in the view of the portfolio manager, now critical to keeping the bull market alive.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series D												
June 30, 2016	11.94	0.07	(0.06)	(0.01)	0.62	0.62	—	—	—	—	—	12.52
Dec. 31, 2015	11.87	0.34	(0.12)	0.61	(0.22)	0.61	(0.08)	(0.11)	(0.51)	—	(0.70)	11.94
Dec. 31, 2014	10.98	0.39	(0.12)	0.50	0.73	1.50	(0.11)	(0.10)	(0.45)	—	(0.66)	11.87
Dec. 31, 2013	10.93	0.28	(0.11)	0.30	0.02	0.49	(0.08)	(0.07)	(0.31)	—	(0.46)	10.98
Dec. 31, 2012	10.41	0.39	(0.11)	0.31	0.24	0.83	(0.07)	(0.07)	(0.17)	—	(0.31)	10.93
Dec. 31, 2011 ³	10.31 [†]	0.14	(0.05)	0.05	0.08	0.22	(0.10)	(0.07)	(0.15)	—	(0.32)	10.41
Series O												
June 30, 2016	11.85	0.07	—	(0.01)	0.62	0.68	—	—	—	—	—	12.49
Dec. 31, 2015	11.81	0.34	(0.01)	0.61	(0.22)	0.72	(0.13)	(0.17)	(0.51)	—	(0.81)	11.85
Dec. 31, 2014	10.93	0.39	(0.01)	0.50	0.73	1.61	(0.17)	(0.16)	(0.45)	—	(0.78)	11.81
Dec. 31, 2013	10.87	0.28	(0.01)	0.30	0.02	0.59	(0.14)	(0.11)	(0.31)	—	(0.56)	10.93
Dec. 31, 2012	10.35	0.42	(0.01)	0.34	0.26	1.01	(0.12)	(0.13)	(0.17)	—	(0.42)	10.87
Dec. 31, 2011 ⁴	10.00 [†]	0.51	(0.01)	0.19	0.29	0.98	(0.17)	(0.11)	(0.15)	—	(0.43)	10.35

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2011.

⁴ From January 2011.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2016	12.52	20 319	1 622	0.97	0.98	20.29	—
Dec. 31, 2015	11.94	14 303	1 198	0.96	0.98	63.64	0.04
Dec. 31, 2014	11.87	9 429	794	1.01	1.04	13.80	0.10
Dec. 31, 2013	10.98	5 711	520	1.02	1.06	18.66	0.10
Dec. 31, 2012	10.93	3 104	284	1.05	1.20	8.51	0.13
Dec. 31, 2011 ⁴	10.41	504	48	1.06	1.50	32.24	0.18
Series O							
June 30, 2016	12.49	10 148	813	0.09	0.10	20.29	—
Dec. 31, 2015	11.85	8 448	713	0.09	0.10	63.64	0.04
Dec. 31, 2014	11.81	5 951	504	0.08	0.11	13.80	0.10
Dec. 31, 2013	10.93	3 286	301	0.08	0.12	18.66	0.10
Dec. 31, 2012	10.87	1 848	170	0.09	0.23	8.51	0.13
Dec. 31, 2011 ⁵	10.35	721	70	0.09	0.53	32.24	0.18

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2011.

⁵ From January 2011.

Management Fees

RBC GAM is the manager and portfolio manager of the Fund.

Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	0.80%	29%	71%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

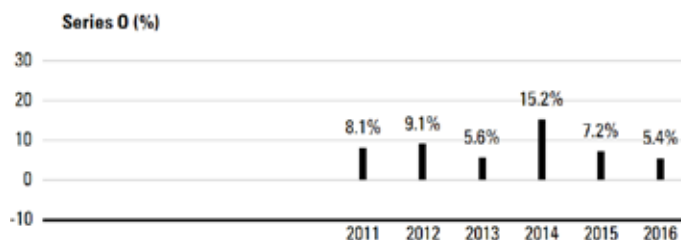
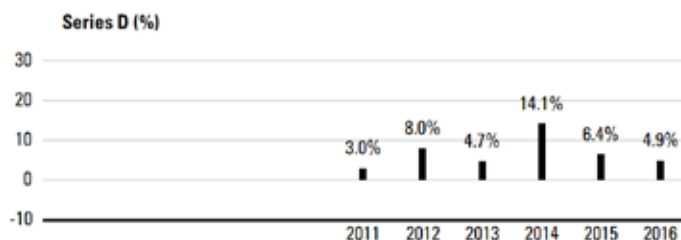
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Series D units have been available for sale to unitholders since June 2011, and Series O units since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Bonds	53.8
Global Equities	26.4
Canadian Equities	12.8
United States Equities	6.0
Cash/Other	1.0

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Inflation-Linked Bond Fund	45.6
RBC QUBE Low Volatility Global Equity Fund	16.9
Phillips, Hager & North Canadian Equity Underlying Fund	6.4
Phillips, Hager & North Conservative Equity Income Fund	5.4
Phillips, Hager & North Long Inflation-Linked Bond Fund	5.2
RBC Global Equity Focus Fund	4.8
Vanguard Real Estate Investment Trust Fund	4.1
RBC Emerging Markets Equity Fund	3.1
Phillips, Hager & North High Yield Bond Fund	3.0
RBC QUBE Global Equity Fund	1.6
RBC U.S. Mid-Cap Value Equity Fund	1.4
Phillips, Hager & North Canadian Equity Value Fund	1.0
RBC U.S. Small-Cap Value Equity Fund	0.5
Phillips, Hager & North Canadian Money Market Fund	0.5
Cash & Cash Equivalents	0.5
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2025 FUND**

*June 30, 2016***Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2025 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds (“ETFs”), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Results of Operations

The Fund’s net asset value was \$29 million as of June 30, 2016.

Over the past six months, the Fund’s Series O units gained 5.6%. The Fund’s return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

U.S. economic growth continued to lead the world’s developed markets, while growth in Japan and in much of Europe and emerging markets continued to disappoint. Signs of significantly slower global economic growth appeared early in January 2016, leading to sharp financial-market declines in the first few weeks of the year. Oil prices followed growth expectations lower and by February had touched the lowest level in more than a decade, depressed in part by a surge in supply relative to demand. Oil prices and financial markets recovered somewhat beginning in February, and the rebound continued for much of the first quarter. In the second half of the period, the debate leading up to the U.K.’s eventual decision to exit the EU (“Brexit”) largely replaced growth concerns as the main driver of markets.

Government-bond yields in the U.S., Japan, Germany and Canada fell to record lows amid Brexit concerns, leading to gains for investors as bond prices rose. Non-government bonds posted increases, with high-yield bonds performing particularly well following the oil-price rebound. Among fixed-income funds in the portfolio, the Phillips, Hager & North Long Inflation-Linked Bond Fund was the largest contributor to returns.

North American equities posted gains during the period led by Canadian markets, which benefited from a rebound in commodity prices. U.S. equities had gains in the low single digits, while Brexit

worries resulted in losses for markets in Europe and Asia. Equity funds that were the largest positive contributors to returns were the Phillips, Hager & North Canadian Equity Underlying Fund and the RBC QUBE Low Volatility Global Equity Fund.

Recent Developments

The portfolio manager’s core scenario contemplates sluggish global economic growth and low inflation, and the threats to the forecast appear tilted to the downside. Negative interest rates and full-fledged quantitative-easing programs are now in force in the Eurozone and Japan, and the Bank of England may cut interest rates in response to Brexit. The U.S. Federal Reserve, meanwhile, is likely to push ahead with rate hikes, although the timing is uncertain and data-dependent. While interest rates are at unusually low levels, the path to higher yields will likely be gradual and stretched over a very long period given current and forecast economic conditions. The bulk of recent equity-market gains have been delivered through expanding valuations, so profit growth is, in the view of the portfolio manager, now critical to keeping the bull market alive.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund’s day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients’ Series D units.

Trustee and Custodian

RBC Investor Services Trust (“RBC IS”) is the trustee and custodian of the Fund.

RBC IS holds title to the Fund’s property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series D												
June 30, 2016	12.01	0.04	(0.06)	0.02	0.66	0.66	—	—	—	—	—	12.63
Dec. 31, 2015	12.00	0.32	(0.13)	0.71	(0.29)	0.61	(0.06)	(0.10)	(0.59)	—	(0.75)	12.01
Dec. 31, 2014	10.96	0.38	(0.13)	0.50	0.85	1.60	(0.11)	(0.09)	(0.45)	—	(0.65)	12.00
Dec. 31, 2013	11.02	0.28	(0.12)	0.33	(0.09)	0.40	(0.08)	(0.06)	(0.33)	—	(0.47)	10.96
Dec. 31, 2012	10.44	0.34	(0.11)	0.27	0.33	0.83	(0.06)	(0.06)	(0.18)	—	(0.30)	11.02
Dec. 31, 2011 ³	10.31 [†]	0.14	(0.05)	0.09	0.11	0.29	(0.08)	(0.06)	(0.15)	—	(0.29)	10.44
Series O												
June 30, 2016	11.93	0.04	—	0.02	0.66	0.72	—	—	—	—	—	12.60
Dec. 31, 2015	11.92	0.32	(0.01)	0.71	(0.29)	0.73	(0.11)	(0.17)	(0.59)	—	(0.87)	11.93
Dec. 31, 2014	10.90	0.38	(0.01)	0.50	0.85	1.72	(0.18)	(0.15)	(0.45)	—	(0.78)	11.92
Dec. 31, 2013	10.96	0.27	(0.01)	0.33	(0.09)	0.50	(0.15)	(0.10)	(0.33)	—	(0.58)	10.90
Dec. 31, 2012	10.38	0.35	(0.01)	0.28	0.35	0.97	(0.11)	(0.12)	(0.18)	—	(0.41)	10.96
Dec. 31, 2011 ⁴	10.00 [†]	0.44	(0.01)	0.28	0.35	1.06	(0.15)	(0.10)	(0.15)	—	(0.40)	10.38

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2011.

⁴ From January 2011.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2016	12.63	12 553	994	1.02	1.04	17.94	—
Dec. 31, 2015	12.01	9 384	781	1.02	1.03	43.06	0.05
Dec. 31, 2014	12.00	5 862	488	1.07	1.10	11.45	0.10
Dec. 31, 2013	10.96	3 339	305	1.06	1.10	19.24	0.10
Dec. 31, 2012	11.02	2 380	216	1.04	1.16	8.73	0.13
Dec. 31, 2011 ⁴	10.44	383	37	1.08	1.48	26.17	0.19
Series O							
June 30, 2016	12.60	16 439	1 305	0.09	0.10	17.94	—
Dec. 31, 2015	11.93	13 925	1 168	0.09	0.11	43.06	0.05
Dec. 31, 2014	11.92	9 957	835	0.08	0.11	11.45	0.10
Dec. 31, 2013	10.90	5 821	534	0.09	0.13	19.24	0.10
Dec. 31, 2012	10.96	2 818	257	0.09	0.20	8.73	0.13
Dec. 31, 2011 ⁵	10.39	1 104	106	0.09	0.49	26.17	0.19

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

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Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	0.85%	28%	72%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

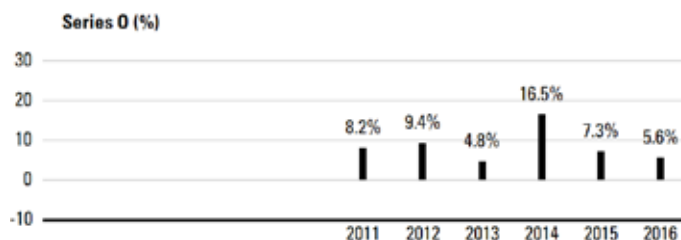
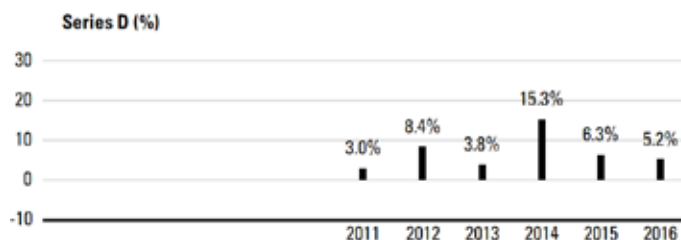
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PAST PERFORMANCE

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Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Bonds	51.1
Global Equities	27.3
Canadian Equities	13.0
United States Equities	7.6
Cash/Other	1.0

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Long Inflation-Linked Bond Fund	28.6
Phillips, Hager & North Inflation-Linked Bond Fund	19.5
RBC QUBE Low Volatility Global Equity Fund	11.3
RBC Global Equity Focus Fund	9.0
Phillips, Hager & North Canadian Equity Underlying Fund	6.9
Vanguard Real Estate Investment Trust Fund	5.2
RBC Emerging Markets Equity Fund	4.0
Phillips, Hager & North Canadian Equity Value Fund	3.4
Phillips, Hager & North High Yield Bond Fund	3.0
RBC QUBE Global Equity Fund	3.0
Phillips, Hager & North Conservative Equity Income Fund	2.7
RBC U.S. Mid-Cap Value Equity Fund	1.8
RBC U.S. Small-Cap Value Equity Fund	0.6
Cash & Cash Equivalents	0.6
Phillips, Hager & North Canadian Money Market Fund	0.4
Total	100.0

* The Fund holds fewer than 25 holdings.

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The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2030 FUND**
June 30, 2016
Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2030 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds (“ETFs”), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Results of Operations

The Fund’s net asset value was \$26 million as of June 30, 2016.

Over the past six months, the Fund’s Series O units gained 5.6%. The Fund’s return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

U.S. economic growth continued to lead the world’s developed markets, while growth in Japan and in much of Europe and emerging markets continued to disappoint. Signs of significantly slower global economic growth appeared early in January 2016, leading to sharp financial-market declines in the first few weeks of the year. Oil prices followed growth expectations lower and by February had touched the lowest level in more than a decade, depressed in part by a surge in supply relative to demand. Oil prices and financial markets recovered somewhat beginning in February, and the rebound continued for much of the first quarter. In the second half of the period, the debate leading up to the U.K.’s eventual decision to exit the EU (“Brexit”) largely replaced growth concerns as the main driver of markets.

Government-bond yields in the U.S., Japan, Germany and Canada fell to record lows amid Brexit concerns, leading to gains for investors as bond prices rose. Non-government bonds posted increases, with high-yield bonds performing particularly well following the oil-price rebound. Among fixed-income funds in the portfolio, the Phillips, Hager & North Long Inflation-Linked Bond Fund was the largest contributor to returns.

North American equities posted gains during the period led by Canadian markets, which benefited from a rebound in commodity prices. U.S. equities had gains in the low single digits, while Brexit

worries resulted in losses for markets in Europe and Asia. Equity funds that were the largest positive contributors to returns were the Phillips, Hager & North Canadian Equity Underlying Fund and the Vanguard Real Estate Investment Trust Exchange Traded Fund.

Recent Developments

The portfolio manager’s core scenario contemplates sluggish global economic growth and low inflation, and the threats to the forecast appear tilted to the downside. Negative interest rates and full-fledged quantitative-easing programs are now in force in the Eurozone and Japan, and the Bank of England may cut interest rates in response to Brexit. The U.S. Federal Reserve, meanwhile, is likely to push ahead with rate hikes, although the timing is uncertain and data-dependent. While interest rates are at unusually low levels, the path to higher yields will likely be gradual and stretched over a very long period given current and forecast economic conditions. The bulk of recent equity-market gains have been delivered through expanding valuations, so profit growth is, in the view of the portfolio manager, now critical to keeping the bull market alive.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund’s day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients’ Series D units.

Trustee and Custodian

RBC Investor Services Trust (“RBC IS”) is the trustee and custodian of the Fund.

RBC IS holds title to the Fund’s property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series D												
June 30, 2016	11.86	0.03	(0.06)	0.06	0.62	0.65	—	—	—	—	—	12.46
Dec. 31, 2015	11.93	0.32	(0.13)	0.75	(0.30)	0.64	(0.07)	(0.08)	(0.65)	—	(0.80)	11.86
Dec. 31, 2014	10.93	0.39	(0.13)	0.53	0.83	1.62	(0.10)	(0.09)	(0.46)	—	(0.65)	11.93
Dec. 31, 2013	10.87	0.30	(0.13)	0.35	0.02	0.54	(0.21)	(0.12)	(0.13)	—	(0.46)	10.93
Dec. 31, 2012	10.30	0.36	(0.12)	0.34	0.26	0.84	(0.05)	(0.07)	(0.22)	—	(0.34)	10.87
Dec. 31, 2011 ³	10.29 [†]	0.15	(0.06)	0.07	0.08	0.24	(0.08)	(0.06)	(0.18)	—	(0.32)	10.30
Series O												
June 30, 2016	11.77	0.03	—	0.06	0.62	0.71	—	—	—	—	—	12.43
Dec. 31, 2015	11.86	0.32	(0.01)	0.74	(0.30)	0.75	(0.12)	(0.16)	(0.65)	—	(0.93)	11.77
Dec. 31, 2014	10.87	0.38	(0.01)	0.52	0.82	1.71	(0.17)	(0.15)	(0.46)	—	(0.78)	11.86
Dec. 31, 2013	10.81	0.30	(0.01)	0.34	0.02	0.65	(0.27)	(0.17)	(0.13)	—	(0.57)	10.87
Dec. 31, 2012	10.24	0.42	(0.01)	0.39	0.30	1.10	(0.11)	(0.12)	(0.22)	—	(0.45)	10.81
Dec. 31, 2011 ⁴	10.00 [†]	0.37	(0.01)	0.17	0.20	0.73	(0.14)	(0.11)	(0.18)	—	(0.43)	10.24

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2011.

⁴ From January 2011.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2016	12.46	5 495	441	1.07	1.08	13.72	—
Dec. 31, 2015	11.86	3 752	316	1.07	1.08	34.53	0.06
Dec. 31, 2014	11.93	2 958	248	1.11	1.14	9.51	0.11
Dec. 31, 2013	10.93	2 296	210	1.14	1.18	19.49	0.11
Dec. 31, 2012	10.87	1 113	102	1.14	1.32	20.73	0.14
Dec. 31, 2011 ⁴	10.30	58	6	1.16	1.72	25.67	0.19
Series O							
June 30, 2016	12.43	20 742	1 668	0.09	0.11	13.72	—
Dec. 31, 2015	11.77	17 077	1 450	0.09	0.11	34.53	0.06
Dec. 31, 2014	11.86	11 316	954	0.09	0.12	9.51	0.11
Dec. 31, 2013	10.87	6 180	569	0.09	0.13	19.49	0.11
Dec. 31, 2012	10.81	2 710	250	0.09	0.27	20.73	0.14
Dec. 31, 2011 ⁵	10.24	955	93	0.09	0.65	25.67	0.19

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2011.

⁵ From January 2011.

Management Fees

RBC GAM is the manager and portfolio manager of the Fund.

Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	0.90%	26%	74%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

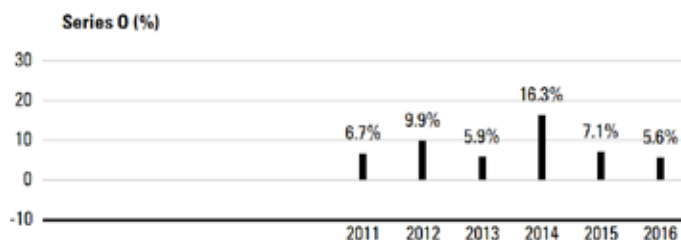
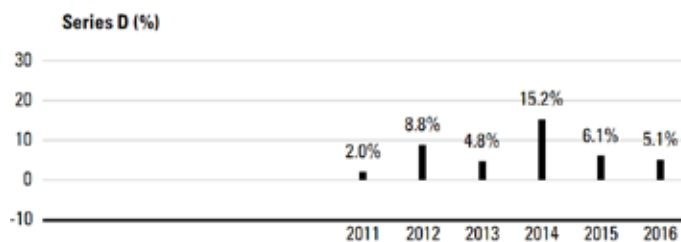
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Series D units have been available for sale to unitholders since June 2011, and Series O units since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Bonds	49.7
Global Equities	27.9
Canadian Equities	13.2
United States Equities	8.2
Cash/Other	1.0

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Long Inflation-Linked Bond Fund	44.7
RBC Global Equity Focus Fund	13.0
Phillips, Hager & North Canadian Equity Underlying Fund	7.1
Phillips, Hager & North Canadian Equity Value Fund	5.7
RBC QUBE Low Volatility Global Equity Fund	5.6
Vanguard Real Estate Investment Trust Fund	5.0
RBC Emerging Markets Equity Fund	5.0
Phillips, Hager & North High Yield Bond Fund	5.0
RBC QUBE Global Equity Fund	4.3
RBC U.S. Mid-Cap Value Equity Fund	2.4
RBC U.S. Small-Cap Value Equity Fund	0.8
Cash & Cash Equivalents	0.7
Phillips, Hager & North Canadian Money Market Fund	0.5
Phillips, Hager & North Conservative Equity Income Fund	0.2
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2035 FUND**
June 30, 2016
Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

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This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

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MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2035 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds (“ETFs”), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

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- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

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Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series D												
June 30, 2016	12.07	0.03	(0.07)	0.07	0.49	0.52	—	—	—	—	—	12.56
Dec. 31, 2015	12.13	0.32	(0.14)	0.82	(0.27)	0.73	(0.06)	(0.09)	(0.74)	—	(0.89)	12.07
Dec. 31, 2014	11.19	0.39	(0.14)	0.62	0.74	1.61	(0.09)	(0.09)	(0.53)	—	(0.71)	12.13
Dec. 31, 2013	10.84	0.30	(0.13)	0.39	0.30	0.86	(0.08)	(0.07)	(0.34)	—	(0.49)	11.19
Dec. 31, 2012	10.20	0.39	(0.13)	0.33	0.29	0.88	(0.05)	(0.07)	(0.18)	—	(0.30)	10.84
Dec. 31, 2011 ³	10.25 [†]	0.15	(0.06)	0.07	(0.02)	0.14	(0.08)	(0.06)	(0.13)	—	(0.27)	10.20
Series O												
June 30, 2016	11.99	0.03	—	0.07	0.49	0.59	—	—	—	—	—	12.54
Dec. 31, 2015	12.05	0.32	(0.01)	0.82	(0.27)	0.86	(0.11)	(0.17)	(0.74)	—	(1.02)	11.99
Dec. 31, 2014	11.13	0.38	(0.01)	0.62	0.73	1.72	(0.15)	(0.18)	(0.53)	—	(0.86)	12.05
Dec. 31, 2013	10.77	0.29	(0.01)	0.38	0.30	0.96	(0.15)	(0.12)	(0.34)	—	(0.61)	11.13
Dec. 31, 2012	10.14	0.48	(0.01)	0.41	0.36	1.24	(0.09)	(0.15)	(0.18)	—	(0.42)	10.77
Dec. 31, 2011 ⁴	10.00 [†]	0.37	(0.01)	0.17	(0.06)	0.47	(0.14)	(0.12)	(0.13)	—	(0.39)	10.14

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2011.

⁴ From January 2011.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2016	12.56	5 954	474	1.13	1.14	14.89	—
Dec. 31, 2015	12.07	5 209	432	1.13	1.14	36.79	0.08
Dec. 31, 2014	12.13	4 286	353	1.19	1.21	10.77	0.12
Dec. 31, 2013	11.19	3 222	288	1.20	1.23	17.15	0.13
Dec. 31, 2012	10.84	2 147	198	1.23	1.38	7.97	0.16
Dec. 31, 2011 ⁴	10.20	112	11	1.24	1.88	10.15	0.23
Series O							
June 30, 2016	12.54	25 611	2 042	0.10	0.11	14.89	—
Dec. 31, 2015	11.99	21 230	1 771	0.10	0.11	36.79	0.08
Dec. 31, 2014	12.05	14 155	1 174	0.09	0.11	10.77	0.12
Dec. 31, 2013	11.13	7 689	691	0.09	0.12	17.15	0.13
Dec. 31, 2012	10.78	3 196	296	0.09	0.24	7.97	0.16
Dec. 31, 2011 ⁵	10.14	775	76	0.09	0.73	10.15	0.23

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2011.

⁵ From January 2011.

Management Fees

RBC GAM is the manager and portfolio manager of the Fund.

Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	0.95%	25%	75%

Series O — no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

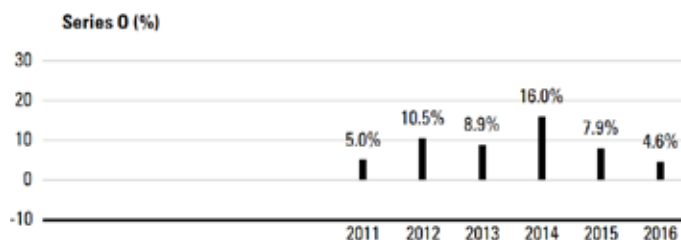
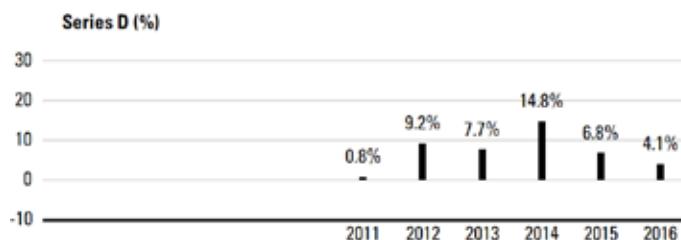
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Series D units have been available for sale to unitholders since June 2011, and Series O units since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Bonds	45.4
Global Equities	30.9
Canadian Equities	13.3
United States Equities	9.5
Cash/Other	0.9

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Long Inflation-Linked Bond Fund	40.5
RBC Global Equity Focus Fund	17.3
Phillips, Hager & North Canadian Equity Underlying Fund	7.2
RBC Emerging Markets Equity Fund	7.1
Phillips, Hager & North Canadian Equity Value Fund	6.1
RBC QUBE Global Equity Fund	5.7
Vanguard Real Estate Investment Trust Fund	5.2
Phillips, Hager & North High Yield Bond Fund	4.9
RBC U.S. Mid-Cap Value Equity Fund	3.2
RBC U.S. Small-Cap Value Equity Fund	1.1
RBC QUBE Low Volatility Global Equity Fund	0.8
Cash & Cash Equivalents	0.5
Phillips, Hager & North Canadian Money Market Fund	0.4
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2040 FUND**
June 30, 2016
Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2040 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds ("ETFs"), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Results of Operations

The Fund's net asset value was \$30 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 3.9%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

U.S. economic growth continued to lead the world's developed markets, while growth in Japan and in much of Europe and emerging markets continued to disappoint. Signs of significantly slower global economic growth appeared early in January 2016, leading to sharp financial-market declines in the first few weeks of the year. Oil prices followed growth expectations lower and by February had touched the lowest level in more than a decade, depressed in part by a surge in supply relative to demand. Oil prices and financial markets recovered somewhat beginning in February, and the rebound continued for much of the first quarter. In the second half of the period, the debate leading up to the U.K.'s eventual decision to exit the EU ("Brexit") largely replaced growth concerns as the main driver of markets.

Government-bond yields in the U.S., Japan, Germany and Canada fell to record lows amid Brexit concerns, leading to gains for investors as bond prices rose. Non-government bonds posted increases, with high-yield bonds performing particularly well following the oil-price rebound. Among fixed-income funds in the portfolio, the Phillips, Hager & North Long Inflation-Linked Bond Fund was the largest contributor to returns.

North American equities posted gains during the period led by Canadian markets, which benefited from a rebound in commodity

prices. U.S. equities had gains in the low single digits, while Brexit worries resulted in losses for markets in Europe and Asia. Equity funds that were the largest positive contributors to returns were the Phillips, Hager & North Canadian Equity Underlying Fund and the RBC Global Equity Focus Fund.

Recent Developments

The portfolio manager's core scenario contemplates sluggish global economic growth and low inflation, and the threats to the forecast appear tilted to the downside. Negative interest rates and full-fledged quantitative-easing programs are now in force in the Eurozone and Japan, and the Bank of England may cut interest rates in response to Brexit. The U.S. Federal Reserve, meanwhile, is likely to push ahead with rate hikes, although the timing is uncertain and data-dependent. While interest rates are at unusually low levels, the path to higher yields will likely be gradual and stretched over a very long period given current and forecast economic conditions. The bulk of recent equity-market gains have been delivered through expanding valuations, so profit growth is, in the view of the portfolio manager, now critical to keeping the bull market alive.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series D												
June 30, 2016	12.14	0.03	(0.07)	0.06	0.43	0.45	—	—	—	—	—	12.55
Dec. 31, 2015	12.14	0.34	(0.15)	0.83	(0.29)	0.73	(0.05)	(0.09)	(0.72)	—	(0.86)	12.14
Dec. 31, 2014	11.29	0.38	(0.15)	0.72	0.63	1.58	(0.07)	(0.09)	(0.61)	—	(0.77)	12.14
Dec. 31, 2013	10.60	0.30	(0.14)	0.45	0.61	1.22	(0.08)	(0.06)	(0.36)	—	(0.50)	11.29
Dec. 31, 2012	9.91	0.35	(0.13)	0.34	0.47	1.03	(0.03)	(0.06)	(0.22)	—	(0.31)	10.60
Dec. 31, 2011 ³	10.18 [†]	0.13	(0.06)	0.05	(0.18)	(0.06)	(0.05)	(0.06)	(0.10)	—	(0.21)	9.91
Series O												
June 30, 2016	12.05	0.03	—	0.06	0.42	0.51	—	—	—	—	—	12.52
Dec. 31, 2015	12.06	0.34	(0.01)	0.83	(0.29)	0.87	(0.11)	(0.18)	(0.72)	—	(1.01)	12.05
Dec. 31, 2014	11.22	0.38	(0.01)	0.72	0.63	1.72	(0.14)	(0.18)	(0.61)	—	(0.93)	12.06
Dec. 31, 2013	10.53	0.30	(0.01)	0.45	0.61	1.35	(0.14)	(0.13)	(0.36)	—	(0.63)	11.22
Dec. 31, 2012	9.85	0.36	(0.01)	0.34	0.47	1.16	(0.07)	(0.14)	(0.22)	—	(0.43)	10.53
Dec. 31, 2011 ⁴	10.00 [†]	0.32	(0.01)	0.12	(0.44)	(0.01)	(0.10)	(0.13)	(0.10)	—	(0.33)	9.85

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2011.

⁴ From January 2011.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2016	12.55	3 709	296	1.18	1.19	13.56	—
Dec. 31, 2015	12.14	3 294	271	1.21	1.22	35.55	0.08
Dec. 31, 2014	12.14	1 687	139	1.26	1.28	12.35	0.14
Dec. 31, 2013	11.29	1 232	109	1.25	1.29	17.69	0.14
Dec. 31, 2012	10.60	501	47	1.25	1.41	12.56	0.19
Dec. 31, 2011 ⁴	9.90	117	12	1.28	1.69	13.87	0.28
Series O							
June 30, 2016	12.52	26 196	2 092	0.10	0.11	13.56	—
Dec. 31, 2015	12.05	22 083	1 833	0.10	0.12	35.55	0.08
Dec. 31, 2014	12.06	14 556	1 206	0.10	0.12	12.35	0.14
Dec. 31, 2013	11.22	8 177	729	0.09	0.13	17.69	0.14
Dec. 31, 2012	10.53	3 320	315	0.09	0.26	12.56	0.19
Dec. 31, 2011 ⁵	9.84	1 203	122	0.10	0.50	13.87	0.28

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2011.

⁵ From January 2011.

Management Fees

RBC GAM is the manager and portfolio manager of the Fund.

Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	1.00%	24%	76%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

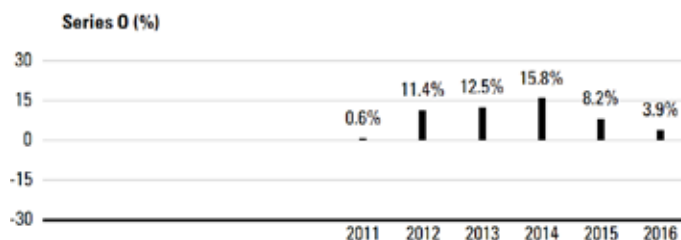
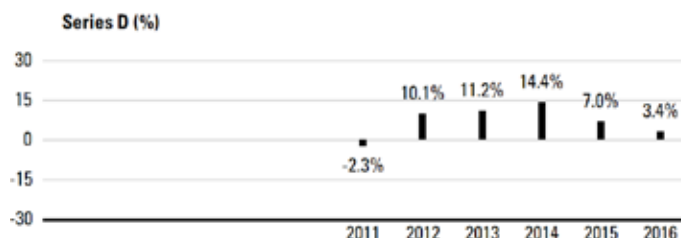
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Series D units have been available for sale to unitholders since June 2011, and Series O units since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Bonds	40.6
Global Equities	33.6
Canadian Equities	14.3
United States Equities	10.6
Cash/Other	0.9

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Long Inflation-Linked Bond Fund	35.7
RBC Global Equity Focus Fund	19.0
RBC Emerging Markets Equity Fund	8.2
Phillips, Hager & North Canadian Equity Underlying Fund	7.2
Phillips, Hager & North Canadian Equity Value Fund	7.1
RBC QUBE Global Equity Fund	6.4
Vanguard Real Estate Investment Trust Fund	5.2
Phillips, Hager & North High Yield Bond Fund	4.9
RBC U.S. Mid-Cap Value Equity Fund	4.0
RBC U.S. Small-Cap Value Equity Fund	1.4
Phillips, Hager & North Canadian Money Market Fund	0.5
Cash & Cash Equivalents	0.4
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2045 FUND**
June 30, 2016
Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

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Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2045 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds (“ETFs”), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Results of Operations

The Fund’s net asset value was \$59 million as of June 30, 2016.

Over the past six months, the Fund’s Series O units gained 2.4%. The Fund’s return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

U.S. economic growth continued to lead the world’s developed markets, while growth in Japan and in much of Europe and emerging markets continued to disappoint. Signs of significantly slower global economic growth appeared early in January 2016, leading to sharp financial-market declines in the first few weeks of the year. Oil prices followed growth expectations lower and by February had touched the lowest level in more than a decade, depressed in part by a surge in supply relative to demand. Oil prices and financial markets recovered somewhat beginning in February, and the rebound continued for much of the first quarter. In the second half of the period, the debate leading up to the U.K.’s eventual decision to exit the EU (“Brexit”) largely replaced growth concerns as the main driver of markets.

Government-bond yields in the U.S., Japan, Germany and Canada fell to record lows amid Brexit concerns, leading to gains for investors as bond prices rose. Non-government bonds posted increases, with high-yield bonds performing particularly well following the oil-price rebound. Among fixed-income funds in the portfolio, the Phillips, Hager & North Long Inflation-Linked Bond Fund was the largest contributor to returns.

North American equities posted gains during the period led by Canadian markets, which benefited from a rebound in commodity prices. U.S. equities had gains in the low single digits, while Brexit

worries resulted in losses for markets in Europe and Asia. Equity funds that were the largest positive contributors to returns were the Phillips, Hager & North Canadian Equity Underlying Fund and the RBC Global Equity Focus Fund.

Recent Developments

The portfolio manager’s core scenario contemplates sluggish global economic growth and low inflation, and the threats to the forecast appear tilted to the downside. Negative interest rates and full-fledged quantitative-easing programs are now in force in the Eurozone and Japan, and the Bank of England may cut interest rates in response to Brexit. The U.S. Federal Reserve, meanwhile, is likely to push ahead with rate hikes, although the timing is uncertain and data-dependent. While interest rates are at unusually low levels, the path to higher yields will likely be gradual and stretched over a very long period given current and forecast economic conditions. The bulk of recent equity-market gains have been delivered through expanding valuations, so profit growth is, in the view of the portfolio manager, now critical to keeping the bull market alive.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund’s day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients’ Series D units.

Trustee and Custodian

RBC Investor Services Trust (“RBC IS”) is the trustee and custodian of the Fund.

RBC IS holds title to the Fund’s property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series D												
June 30, 2016	12.59	0.03	(0.07)	0.07	0.25	0.28	—	—	—	—	—	12.81
Dec. 31, 2015	12.38	0.36	(0.16)	0.82	(0.09)	0.93	(0.04)	(0.11)	(0.71)	—	(0.86)	12.59
Dec. 31, 2014	11.59	0.40	(0.16)	0.88	0.48	1.60	(0.04)	(0.10)	(0.68)	—	(0.82)	12.38
Dec. 31, 2013	10.50	0.34	(0.15)	0.59	0.98	1.76	(0.07)	(0.07)	(0.40)	—	(0.54)	11.59
Dec. 31, 2012	9.74	0.59	(0.13)	0.63	0.38	1.47	(0.02)	(0.06)	(0.22)	—	(0.30)	10.50
Dec. 31, 2011 ³	10.14 [†]	0.13	(0.06)	0.03	(0.20)	(0.10)	(0.04)	(0.08)	(0.08)	—	(0.20)	9.74
Series O												
June 30, 2016	12.51	0.03	—	0.07	0.25	0.35	—	—	—	—	—	12.80
Dec. 31, 2015	12.31	0.36	(0.01)	0.83	(0.10)	1.08	(0.09)	(0.21)	(0.71)	—	(1.01)	12.51
Dec. 31, 2014	11.53	0.39	(0.01)	0.86	0.47	1.71	(0.09)	(0.21)	(0.68)	—	(0.98)	12.31
Dec. 31, 2013	10.43	0.33	(0.01)	0.57	0.95	1.84	(0.13)	(0.14)	(0.40)	—	(0.67)	11.53
Dec. 31, 2012	9.69	0.47	(0.01)	0.50	0.30	1.26	(0.04)	(0.17)	(0.22)	—	(0.43)	10.43
Dec. 31, 2011 ⁴	10.00 [†]	0.32	(0.01)	0.07	(0.50)	(0.12)	(0.08)	(0.16)	(0.08)	—	(0.32)	9.69

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2011.

⁴ From January 2011.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2016	12.81	5 055	395	1.26	1.27	12.24	—
Dec. 31, 2015	12.59	4 379	348	1.25	1.26	37.28	0.10
Dec. 31, 2014	12.38	1 956	158	1.31	1.32	10.51	—
Dec. 31, 2013	11.59	1 468	127	1.32	1.35	16.98	0.17
Dec. 31, 2012	10.50	425	41	1.26	1.47	10.86	—
Dec. 31, 2011 ⁴	9.74	122	13	1.33	2.10	17.32	0.31
Series O							
June 30, 2016	12.80	54 319	4 243	0.11	0.11	12.24	—
Dec. 31, 2015	12.51	45 335	3 625	0.11	0.11	37.28	0.10
Dec. 31, 2014	12.31	28 545	2 320	0.10	0.11	10.51	—
Dec. 31, 2013	11.53	13 875	1 203	0.10	0.13	16.98	0.17
Dec. 31, 2012	10.43	3 874	370	0.10	0.31	10.86	—
Dec. 31, 2011 ⁵	9.69	537	55	0.10	0.87	17.32	0.31

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2011.

⁵ From January 2011.

Management Fees

RBC GAM is the manager and portfolio manager of the Fund.

Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	1.05%	23%	77%

Series O — no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

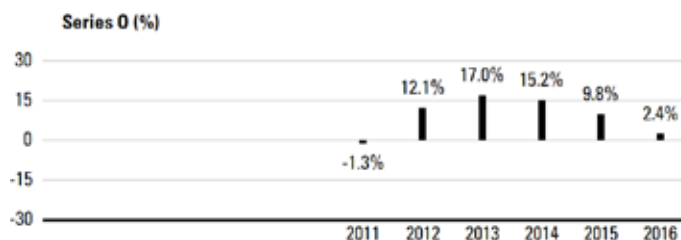
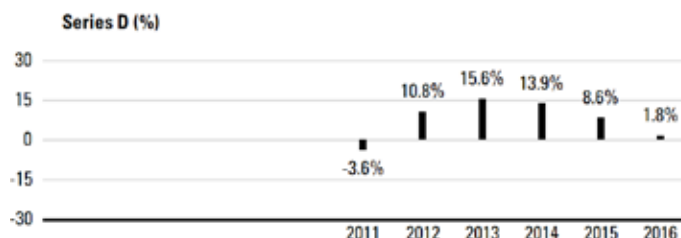
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Series D units have been available for sale to unitholders since June 2011, and Series O units since January 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Global Equities	42.2
Bonds	27.7
Canadian Equities	17.0
United States Equities	12.1
Cash/Other	1.0

Top 25 Holdings*

	% of Net Asset Value
RBC Global Equity Focus Fund	24.2
Phillips, Hager & North Long Inflation-Linked Bond Fund	22.8
RBC Emerging Markets Equity Fund	10.1
Phillips, Hager & North Canadian Equity Underlying Fund	8.6
Phillips, Hager & North Canadian Equity Value Fund	8.6
RBC QUBE Global Equity Fund	7.9
Vanguard Real Estate Investment Trust Fund	5.2
RBC U.S. Mid-Cap Value Equity Fund	5.1
Phillips, Hager & North High Yield Bond Fund	4.9
RBC U.S. Small-Cap Value Equity Fund	1.8
Cash & Cash Equivalents	0.4
Phillips, Hager & North Canadian Money Market Fund	0.4
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

TARGET DATE FUND

**PHILLIPS, HAGER & NORTH
LIFETIME 2050 FUND**

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2050 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds (“ETFs”), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in three broad asset classes: equities, fixed income, and Canadian or U.S. ETFs, either directly or indirectly through underlying funds. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Results of Operations

The Fund’s net asset value was \$7 million as of June 30, 2016.

Over the past six months, the Fund’s Series O units gained 1.7%. The Fund’s return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

U.S. economic growth continued to lead the world’s developed markets, while growth in Japan and in much of Europe and emerging markets continued to disappoint. Signs of significantly slower global economic growth appeared early in January 2016, leading to sharp financial-market declines in the first few weeks of the year. Oil prices followed growth expectations lower and by February had touched the lowest level in more than a decade, depressed in part by a surge in supply relative to demand. Oil prices and financial markets recovered somewhat beginning in February, and the rebound continued for much of the first quarter. In the second half of the period, the debate leading up to the U.K.’s eventual decision to exit the EU (“Brexit”) largely replaced growth concerns as the main driver of markets.

Government-bond yields in the U.S., Japan, Germany and Canada fell to record lows amid Brexit concerns, leading to gains for investors as bond prices rose. Non-government bonds posted increases, with high-yield bonds performing particularly well following the oil-price rebound. Among fixed-income funds in the portfolio, the Phillips, Hager & North Long Inflation-Linked Bond Fund was the largest contributor to returns.

North American equities posted gains during the period led by Canadian markets, which benefited from a rebound in commodity prices. U.S. equities had gains in the low single digits, while Brexit

worries resulted in losses for markets in Europe and Asia. Equity funds that were the largest positive contributors to returns were the Phillips, Hager & North Canadian Equity Underlying Fund and the RBC Global Equity Focus Fund.

Recent Developments

The portfolio manager’s core scenario contemplates sluggish global economic growth and low inflation, and the threats to the forecast appear tilted to the downside. Negative interest rates and full-fledged quantitative-easing programs are now in force in the Eurozone and Japan, and the Bank of England may cut interest rates in response to Brexit. The U.S. Federal Reserve, meanwhile, is likely to push ahead with rate hikes, although the timing is uncertain and data-dependent. While interest rates are at unusually low levels, the path to higher yields will likely be gradual and stretched over a very long period given current and forecast economic conditions. The bulk of recent equity-market gains have been delivered through expanding valuations, so profit growth is, in the view of the portfolio manager, now critical to keeping the bull market alive.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund’s day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients’ Series D units.

Trustee and Custodian

RBC Investor Services Trust (“RBC IS”) is the trustee and custodian of the Fund.

RBC IS holds title to the Fund’s property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series D												
June 30, 2016	10.34	0.03	(0.07)	(0.04)	0.41	0.33	—	—	—	—	—	10.45
Dec. 31, 2015	9.88	0.48	(0.16)	0.68	(0.51)	0.49	(0.02)	(0.07)	(0.33)	—	(0.42)	10.34
Dec. 31, 2014 ³	10.00 [†]	0.22	(0.25)	0.49	(0.24)	0.22	(0.45)	(0.13)	—	—	(0.58)	9.88
Series O												
June 30, 2016	10.25	0.03	(0.01)	(0.04)	0.39	0.37	—	—	—	—	—	10.42
Dec. 31, 2015	9.79	0.48	(0.03)	0.68	(0.50)	0.63	(0.05)	(0.18)	(0.33)	—	(0.56)	10.25
Dec. 31, 2014 ³	10.00 [†]	0.24	(0.20)	0.52	(0.25)	0.31	(0.55)	(0.16)	—	—	(0.71)	9.79

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

³ From June 2014.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series D							
June 30, 2016	10.45	518	50	1.31	1.38	26.72	—
Dec. 31, 2015	10.34	417	40	1.36	1.55	34.42	0.11
Dec. 31, 2014 ⁴	9.88	35	4	1.30	3.20	1.15	—
Series O							
June 30, 2016	10.42	6 455	619	0.11	0.17	26.72	—
Dec. 31, 2015	10.25	3 140	306	0.11	0.30	34.42	0.11
Dec. 31, 2014 ⁴	9.79	157	16	0.06	1.96	1.15	—

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From June 2014.

Management Fees

RBC GAM is the manager and portfolio manager of the Fund.

Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series D	1.10%	23%	77%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Series D and Series O units have been available for sale to unitholders since August 2014.

Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Global Equities	46.0
Bonds	21.2
Canadian Equities	19.0
United States Equities	12.7
Cash/Other	1.1

Top 25 Holdings*

	% of Net Asset Value
RBC Global Equity Focus Fund	26.2
Phillips, Hager & North Long Inflation-Linked Bond Fund	16.2
RBC Emerging Markets Equity Fund	11.1
Phillips, Hager & North Canadian Equity Value Fund	9.5
Phillips, Hager & North Canadian Equity Underlying Fund	9.4
RBC QUBE Global Equity Fund	8.7
RBC U.S. Mid-Cap Value Equity Fund	5.6
Vanguard Real Estate Investment Trust Fund	5.1
Phillips, Hager & North High Yield Bond Fund	5.0
RBC U.S. Small-Cap Value Equity Fund	2.0
Cash & Cash Equivalents	0.7
Phillips, Hager & North Canadian Money Market Fund	0.5
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

BALANCED FUND

BONAVISTA GLOBAL BALANCED FUND
June 30, 2016
Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital appreciation and income by primarily investing in a balanced global portfolio of Canadian and foreign equities, fixed income securities and money market instruments. To achieve the Fund's fundamental investment objectives, the portfolio manager invests primarily in common stocks of high-quality companies, bonds of the Canadian government, provincial government, and high-quality Canadian corporations and money market securities including asset backed commercial paper.

Results of Operations

The Fund's net asset value was \$4 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 0.6%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The Fund's overweight allocation to equities hurt performance as fixed income outperformed the U.S. and international stock allocations. However, returns were aided by Canadian equities, the Fund's largest single allocation and the best-performing one. Canadian equities substantially outperformed the Fund's international and U.S. equity allocations in Canadian-dollar terms. Over the period, the Fund's international equity and fixed-income allocations performed relatively well.

The Fund's Canadian equity portfolio was hurt by significant exposure to the Consumer Discretionary and Information Technology sectors as well as low exposure to gold producers. Performance was helped by the Fund's low exposure to the Health Care sector.

Recent Developments

The U.K.'s decision to exit the EU ("Brexit") in late June was likely the most significant event during the period as investors had expected that the U.K. would vote to remain in the single market. The impact and timing of Brexit are uncertain at this stage and could take years to sort out. This will give businesses, governments and central banks time to adjust to changes and minimize the potential impact.

At current levels, stock-market valuations are near long-run historical averages while interest rates are plumbing new lows, and in many cases, negative – meaning investors are essentially paying to hold safe-haven debt. Investors no longer expect the U.S. Federal Reserve to raise interest rates in 2016. The portfolio manager believes that "safe haven" assets are very expensive, be they bonds, gold, utilities or other income-producing assets.

Effective June 30, 2016, management fees were reduced from 2.00% to 1.75% for Series C and Advisor Series units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. The former principal portfolio advisor of the Fund, BonaVista Asset Management Ltd., amalgamated with its parent company, RBC GAM, effective November 1, 2013. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

BONAVISTA GLOBAL BALANCED FUND**FINANCIAL HIGHLIGHTS**

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
Series A												
June 30, 2016	12.72	0.13	(0.15)	0.06	(0.13)	(0.09)	—	—	—	—	—	12.65
Dec. 31, 2015	13.46	0.37	(0.33)	1.12	(1.09)	0.07	(0.02)	(0.06)	(0.72)	—	(0.80)	12.72
Dec. 31, 2014	12.45	0.35	(0.32)	0.27	0.70	1.00	—	(0.05)	—	—	(0.05)	13.46
Dec. 31, 2013	10.94	0.34	(0.28)	0.18	1.35	1.59	—	(0.07)	—	—	(0.07)	12.45
Dec. 31, 2012	10.12	0.28	(0.26)	0.03	0.80	0.85	(0.01)	(0.04)	—	—	(0.05)	10.94
Dec. 31, 2011	11.04	0.29	(0.25)	0.04	(1.00)	(0.92)	—	(0.08)	—	—	(0.08)	10.12
Advisor Series												
June 30, 2016	12.72	0.13	(0.15)	0.06	(0.13)	(0.09)	—	—	—	—	—	12.65
Dec. 31, 2015	13.46	0.37	(0.35)	1.12	(1.09)	0.05	(0.02)	(0.06)	(0.72)	—	(0.80)	12.72
Dec. 31, 2014	12.46	0.35	(0.32)	0.27	0.70	1.00	—	(0.05)	—	—	(0.05)	13.46
Dec. 31, 2013	10.94	0.34	(0.28)	0.18	1.35	1.59	—	(0.07)	—	—	(0.07)	12.45
Dec. 31, 2012	10.12	0.28	(0.26)	0.03	0.80	0.85	(0.01)	(0.04)	—	—	(0.05)	10.94
Dec. 31, 2011	11.04	0.29	(0.25)	0.04	(1.00)	(0.92)	—	(0.08)	—	—	(0.08)	10.12
Series D												
June 30, 2016	12.66	0.13	(0.08)	0.06	(0.13)	(0.02)	—	(0.05)	—	—	(0.05)	12.61
Dec. 31, 2015	13.39	0.37	(0.18)	1.11	(1.08)	0.22	(0.04)	(0.19)	(0.72)	—	(0.95)	12.66
Dec. 31, 2014	12.37	0.35	(0.17)	0.27	0.70	1.15	(0.01)	(0.17)	—	—	(0.18)	13.39
Dec. 31, 2013	10.87	0.33	(0.15)	0.18	1.32	1.68	(0.01)	(0.18)	—	—	(0.19)	12.37
Dec. 31, 2012	10.05	0.29	(0.14)	0.03	0.82	1.00	(0.02)	(0.15)	—	—	(0.17)	10.87
Dec. 31, 2011	10.97	0.30	(0.13)	0.05	(1.04)	(0.82)	—	(0.19)	—	—	(0.19)	10.05
Series F												
June 30, 2016	12.91	0.13	(0.07)	0.06	(0.13)	(0.01)	—	(0.06)	—	—	(0.06)	12.86
Dec. 31, 2015	13.66	0.38	(0.15)	1.13	(1.10)	0.26	(0.05)	(0.21)	(0.73)	—	(0.99)	12.91
Dec. 31, 2014	12.60	0.36	(0.13)	0.28	0.72	1.23	(0.01)	(0.19)	—	—	(0.20)	13.66
Dec. 31, 2013	11.03	0.33	(0.12)	0.18	1.32	1.71	(0.01)	(0.21)	—	—	(0.22)	12.59
Dec. 31, 2012	10.09	0.30	(0.09)	0.03	0.83	1.07	(0.02)	(0.18)	—	—	(0.20)	11.03
Dec. 31, 2011	10.97	0.31	(0.08)	0.05	(1.06)	(0.78)	—	(0.21)	—	—	(0.21)	10.09
Series O												
June 30, 2016	12.40	0.12	(0.01)	0.06	(0.12)	0.05	—	(0.11)	—	—	(0.11)	12.36
Dec. 31, 2015	13.13	0.36	(0.03)	1.09	(1.06)	0.36	(0.07)	(0.30)	(0.71)	—	(1.08)	12.40
Dec. 31, 2014	12.12	0.34	(0.02)	0.27	0.69	1.28	(0.02)	(0.28)	—	—	(0.30)	13.13
Dec. 31, 2013	10.63	0.31	(0.02)	0.17	1.24	1.70	(0.01)	(0.29)	—	—	(0.30)	12.11
Dec. 31, 2012	9.82	0.28	(0.02)	0.03	0.80	1.09	(0.03)	(0.24)	—	—	(0.27)	10.63
Dec. 31, 2011	10.72	0.31	(0.02)	0.05	(1.08)	(0.74)	—	(0.30)	—	—	(0.30)	9.82

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	12.65	218	17	2.35⁴	2.43	27.10	—
Dec. 31, 2015	12.72	220	17	2.36	2.44	133.09	0.01
Dec. 31, 2014	13.46	196	15	2.34	2.42	112.86	0.08
Dec. 31, 2013	12.45	104	8	2.47	2.47	70.07	0.08
Dec. 31, 2012	10.95	27	2	2.46	2.46	42.34	0.08
Dec. 31, 2011	10.13	126	12	2.33	2.33	62.39	0.08
Advisor Series							
June 30, 2016	12.65	14	1	2.36⁴	2.44	27.10	—
Dec. 31, 2015	12.72	19	1	2.36	2.44	133.09	0.01
Dec. 31, 2014	13.46	45	3	2.34	2.42	112.86	0.08
Dec. 31, 2013	12.46	13	1	2.47	2.47	70.07	0.08
Dec. 31, 2012	10.95	1	—	2.46	2.46	42.34	0.08
Dec. 31, 2011	10.13	1	—	2.33	2.33	62.39	0.08
Series D							
June 30, 2016	12.61	3 039	241	1.24	1.32	27.10	—
Dec. 31, 2015	12.66	3 320	262	1.23	1.30	133.09	0.01
Dec. 31, 2014	13.39	3 714	277	1.21	1.29	112.86	0.08
Dec. 31, 2013	12.37	3 001	243	1.31	1.31	70.07	0.08
Dec. 31, 2012	10.88	2 617	241	1.33	1.33	42.34	0.08
Dec. 31, 2011	10.06	3 160	314	1.31	1.31	62.39	0.08
Series F							
June 30, 2016	12.86	18	1	1.00	1.08	27.10	—
Dec. 31, 2015	12.91	18	1	0.99	1.07	133.09	0.01
Dec. 31, 2014	13.66	18	1	0.90	0.98	112.86	0.08
Dec. 31, 2013	12.60	16	1	0.99	0.99	70.07	0.08
Dec. 31, 2012	11.05	1	—	0.90	0.90	42.34	0.08
Dec. 31, 2011	10.10	—	—	0.96	0.96	62.39	0.08
Series O							
June 30, 2016	12.36	275	22	0.14	0.22	27.10	—
Dec. 31, 2015	12.40	277	22	0.13	0.21	133.09	0.01
Dec. 31, 2014	13.13	276	21	0.12	0.20	112.86	0.08
Dec. 31, 2013	12.12	266	22	0.21	0.21	70.07	0.08
Dec. 31, 2012	10.64	550	52	0.22	0.22	42.34	0.08
Dec. 31, 2011	9.84	739	75	0.18	0.18	62.39	0.08

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.07% and Advisor Series – 2.07%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.75%	50%	50%
Advisor Series	1.75%	50%	50%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

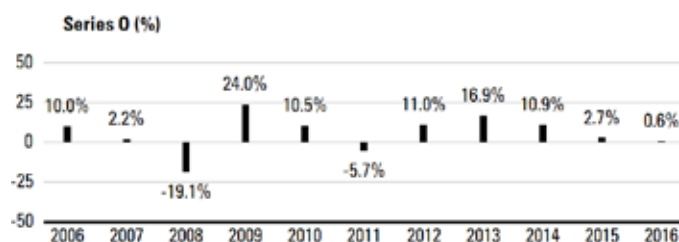
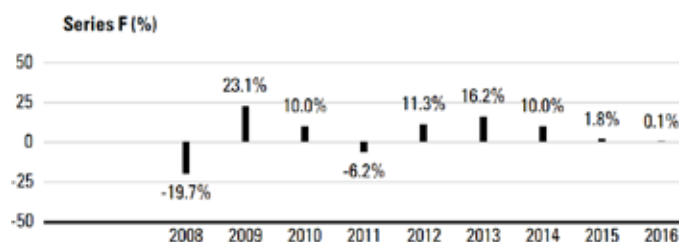
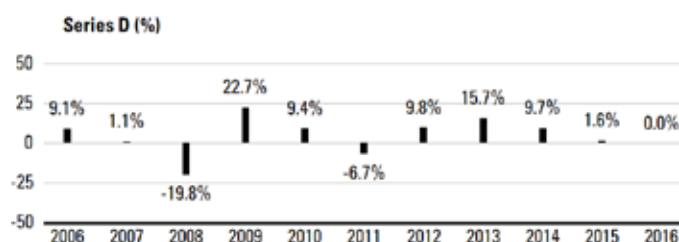
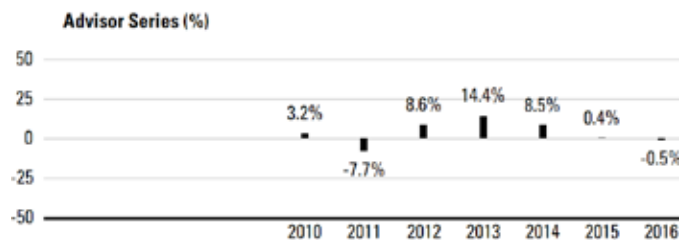
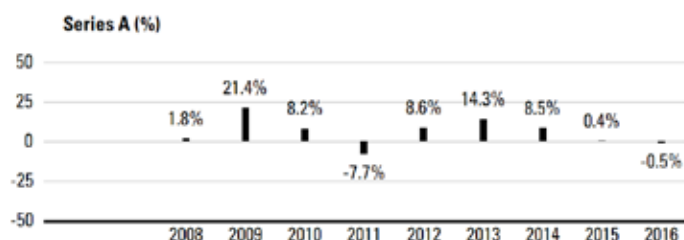
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, Series F units since December 2007, and Series D and Series O units since June 2006.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Canadian Equities	37.6
Bonds	29.8
Overseas Equities	15.5
United States Equities	15.3
Cash/Other	1.8

Top 25 Holdings

	% of Net Asset Value
Phillips, Hager & North Bond Fund	29.8
Phillips, Hager & North Overseas Equity Fund	15.6
Phillips, Hager & North U.S. Equity Fund	15.4
Toronto-Dominion Bank	2.8
Bank of Nova Scotia	2.0
Canadian Imperial Bank of Commerce	1.9
Royal Bank of Canada	1.8
Suncor Energy Inc.	1.7
Bank of Montreal	1.6
Cash & Cash Equivalents	1.6
Canadian Natural Resources Ltd.	1.6
Canadian National Railway Co.	1.6
Alimentation Couche-Tard Inc.	1.1
Manulife Financial Corporation	0.9
Agrium Inc.	0.9
Gildan Activewear Inc., Class A	0.9
Open Text Corp.	0.9
Sun Life Financial Inc.	0.9
Canadian Pacific Railway Ltd.	0.8
Magna International Inc., Class A	0.8
National Bank of Canada	0.8
Canadian Tire Corp. Ltd., Class A	0.8
Quebecor Inc., Class B	0.7
Teck Resources Ltd., Class B	0.7
Saputo Group Inc.	0.7
Top 25 Holdings	88.3

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

CANADIAN EQUITY FUND

BONAVISTA CANADIAN EQUITY VALUE FUND

June 30, 2016

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

A Note on Forward-looking Statements

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The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth by investing primarily in common shares of large-capitalization, high-quality Canadian companies and income trusts. To achieve the Fund's investment objective, the portfolio manager invests in companies that they believe have a superior management team, a leadership position within their industry, a high level of profitability compared to their peers, and strong earnings potential.

Results of Operations

The Fund's net asset value was \$16 million as of June 30, 2016.

Over the past six months, the Fund's Series O units gained 5.0%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The Fund's small exposure to gold producers was a significant negative for performance during the period, as gold stocks almost doubled. The Fund's significant exposure to the Information Technology and Consumer Discretionary sectors had a negative impact on performance, while low exposure to the Health Care sector had a positive impact. Individual holdings that contributed to performance included Teck Resources, Canadian Natural Resources and SNC-Lavalin. Holdings that negatively impacted performance included Mitel, Magna International and Alimentation Couche-Tard.

During the period, the Fund initiated positions in CCL Industries and Crescent Point Energy. Through a combination of acquisitions and organic growth, CCL has become a global leader in specialty labels and customized packaging. CCL's strong management team and balance sheet make it a compelling investment opportunity. Crescent Point is an oil-focused company with operations in Saskatchewan and Alberta. The company has a solid balance sheet and an extensive list of drilling locations.

The portfolio manager eliminated the Fund's position in Valeant Pharmaceuticals early in the period, as the number of risks and uncertainties surrounding the company continued to grow.

Aside from the transactions described above, the structure of the portfolio did not materially change over the period.

Recent Developments

The big story for the Canadian market over the period was the surge in the price of gold and the recovery in the price of oil. However, the U.K.'s decision to exit the EU ("Brexit") in late June was likely the most significant global event during the period as investors had expected that the U.K. would vote to remain in the single market. The impact and timing of Brexit are uncertain at this stage and could take

years to sort out. This will give businesses, governments and central banks time to adjust to changes and minimize the potential impact.

While the global environment is uncertain, the portfolio manager is continuing to focus on companies with good balance sheets and consistent earnings growth. While this preference has cost the portfolio relative performance in the short term, the portfolio manager believes that this is a prudent approach for the current investment environment and the portfolio manager does not foresee a significant change in strategy.

Effective June 30, 2016, management fees were reduced as follows: from 1.75% to 1.60% for Series C and Advisor Series units; from 1.00% to 0.85% for Series D units; and from 0.75% to 0.60% for Series F units. Also effective June 30, 2016, Series C units were renamed Series A units.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. The former principal portfolio advisor of the Fund, BonaVista Asset Management Ltd., amalgamated with its parent company, RBC GAM, effective November 1, 2013. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Phillips, Hager & North Investment Funds Ltd., Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D units.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

RBC IS holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

BONAVISTA CANADIAN EQUITY VALUE FUND**FINANCIAL HIGHLIGHTS**

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series A												
June 30, 2016	12.98	0.19	(0.13)	0.11	0.38	0.55	—	—	—	—	—	13.51
Dec. 31, 2015	14.41	0.37	(0.28)	(0.60)	(0.82)	(1.33)	—	(0.08)	—	—	(0.08)	12.98
Dec. 31, 2014	13.21	0.34	(0.29)	(0.04)	1.13	1.14	—	(0.02)	—	—	(0.02)	14.41
Dec. 31, 2013	10.91	0.38	(0.24)	0.36	1.87	2.37	—	(0.10)	—	—	(0.10)	13.21
Dec. 31, 2012	9.71	0.29	(0.21)	0.22	1.00	1.30	—	(0.10)	—	—	(0.10)	10.91
Dec. 31, 2011	11.34	0.27	(0.21)	0.08	(1.76)	(1.62)	—	(0.02)	—	—	(0.02)	9.71
Advisor Series												
June 30, 2016	13.01	0.19	(0.13)	0.11	0.38	0.55	—	—	—	—	—	13.54
Dec. 31, 2015	14.44	0.37	(0.25)	(0.60)	(0.83)	(1.31)	—	(0.08)	—	—	(0.08)	13.01
Dec. 31, 2014	13.23	0.34	(0.27)	(0.04)	1.14	1.17	—	(0.02)	—	—	(0.02)	14.44
Dec. 31, 2013	10.91	0.27	(0.25)	0.25	1.33	1.60	—	(0.09)	—	—	(0.09)	13.22
Dec. 31, 2012	9.71	0.29	(0.21)	0.22	1.00	1.30	—	(0.10)	—	—	(0.10)	10.91
Dec. 31, 2011	11.34	0.27	(0.21)	0.08	(1.76)	(1.62)	—	(0.02)	—	—	(0.02)	9.71
Series D												
June 30, 2016	13.06	0.19	(0.08)	0.11	0.38	0.60	—	—	—	—	—	13.64
Dec. 31, 2015	14.49	0.38	(0.17)	(0.60)	(0.83)	(1.22)	—	(0.19)	—	—	(0.19)	13.06
Dec. 31, 2014	13.29	0.34	(0.17)	(0.04)	1.15	1.28	—	(0.13)	—	—	(0.13)	14.49
Dec. 31, 2013	10.98	0.38	(0.14)	0.36	1.89	2.49	—	(0.20)	—	—	(0.20)	13.29
Dec. 31, 2012	9.77	0.29	(0.13)	0.22	1.00	1.38	—	(0.18)	—	—	(0.18)	10.98
Dec. 31, 2011	11.41	0.27	(0.13)	0.08	(1.76)	(1.54)	—	(0.11)	—	—	(0.11)	9.77
Series F												
June 30, 2016	13.08	0.19	(0.06)	0.11	0.38	0.62	—	—	—	—	—	13.68
Dec. 31, 2015	14.52	0.38	(0.11)	(0.60)	(0.83)	(1.16)	—	(0.23)	—	—	(0.23)	13.08
Dec. 31, 2014	13.32	0.35	(0.13)	(0.04)	1.15	1.33	—	(0.17)	—	—	(0.17)	14.52
Dec. 31, 2013	11.00	0.39	(0.11)	0.37	1.91	2.56	—	(0.24)	—	—	(0.24)	13.31
Dec. 31, 2012	9.79	0.29	(0.10)	0.22	1.02	1.43	—	(0.22)	—	—	(0.22)	11.00
Dec. 31, 2011	11.42	0.27	(0.10)	0.08	(1.79)	(1.54)	—	(0.14)	—	—	(0.14)	9.79
Series O												
June 30, 2016	13.22	0.19	(0.01)	0.11	0.39	0.68	—	—	—	—	—	13.89
Dec. 31, 2015	14.68	0.38	(0.02)	(0.61)	(0.85)	(1.10)	—	(0.34)	—	—	(0.34)	13.22
Dec. 31, 2014	13.46	0.35	(0.02)	(0.04)	1.16	1.45	—	(0.29)	—	—	(0.29)	14.68
Dec. 31, 2013	11.12	0.39	(0.02)	0.37	1.92	2.66	—	(0.36)	—	—	(0.36)	13.45
Dec. 31, 2012	9.90	0.29	(0.01)	0.22	1.01	1.51	—	(0.32)	—	—	(0.32)	11.12
Dec. 31, 2011	11.56	0.27	(0.01)	0.08	(1.81)	(1.47)	—	(0.21)	—	—	(0.21)	9.90

¹ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2016	13.51	182	13	2.01⁴	2.03	10.56	0.01
Dec. 31, 2015	12.98	163	13	2.00	2.02	12.30	0.02
Dec. 31, 2014	14.41	174	12	2.00	2.02	5.75	0.03
Dec. 31, 2013	13.21	133	10	2.02	2.02	12.56	0.02
Dec. 31, 2012	10.93	118	11	2.04	2.04	4.02	0.06
Dec. 31, 2011	9.73	113	12	2.11	2.11	9.72	0.04
Advisor Series							
June 30, 2016	13.54	39	3	2.01⁴	2.03	10.56	0.01
Dec. 31, 2015	13.01	37	3	2.01	2.02	12.30	0.02
Dec. 31, 2014	14.44	1	—	2.01	2.03	5.75	0.03
Dec. 31, 2013	13.23	1	—	2.02	2.02	12.56	0.02
Dec. 31, 2012	10.93	1	—	2.04	2.04	4.02	0.06
Dec. 31, 2011	9.73	1	—	2.11	2.11	9.72	0.04
Series D							
June 30, 2016	13.64	6 235	457	1.19⁴	1.21	10.56	0.01
Dec. 31, 2015	13.06	6 584	504	1.19	1.20	12.30	0.02
Dec. 31, 2014	14.49	7 894	545	1.19	1.21	5.75	0.03
Dec. 31, 2013	13.29	6 279	472	1.22	1.22	12.56	0.02
Dec. 31, 2012	11.00	5 750	523	1.25	1.25	4.02	0.06
Dec. 31, 2011	9.79	6 801	695	1.24	1.24	9.72	0.04
Series F							
June 30, 2016	13.68	96	7	0.96⁴	0.98	10.56	0.01
Dec. 31, 2015	13.08	92	7	0.94	0.95	12.30	0.02
Dec. 31, 2014	14.52	11	1	0.92	0.94	5.75	0.03
Dec. 31, 2013	13.32	10	1	0.91	0.91	12.56	0.02
Dec. 31, 2012	11.02	3	—	0.94	0.94	4.02	0.06
Dec. 31, 2011	9.80	3	—	0.95	0.95	9.72	0.04
Series O							
June 30, 2016	13.89	9 640	694	0.11	0.13	10.56	0.01
Dec. 31, 2015	13.22	10 096	763	0.11	0.13	12.30	0.02
Dec. 31, 2014	14.68	11 301	770	0.11	0.13	5.75	0.03
Dec. 31, 2013	13.46	8 327	619	0.13	0.13	12.56	0.02
Dec. 31, 2012	11.14	6 233	560	0.14	0.14	4.02	0.06
Dec. 31, 2011	9.92	8 707	878	0.13	0.13	9.72	0.04

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fee was changed in respect of certain series of the Fund. If the change to the management fee would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.85%, Advisor Series – 1.85%, Series D – 1.03% and Series F – 0.79%.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

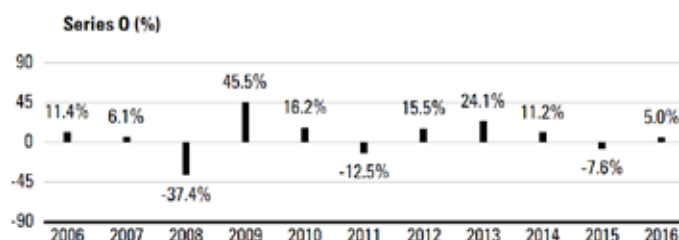
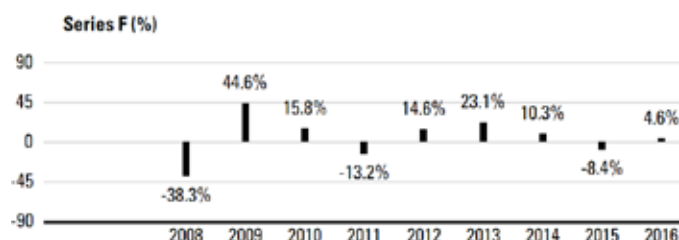
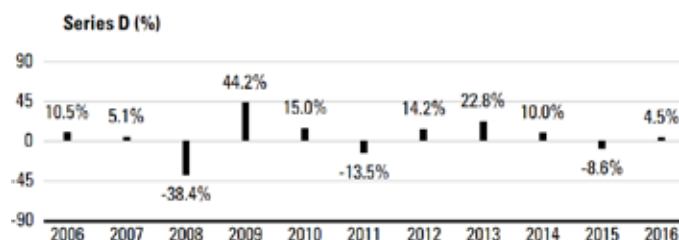
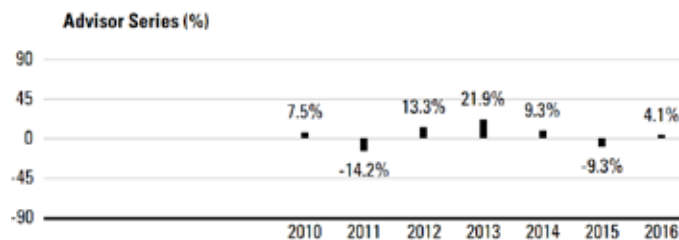
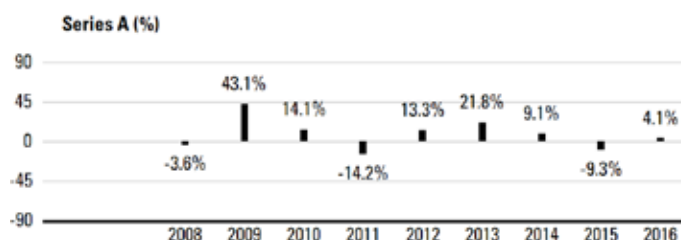
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, Series F units since December 2007, and Series D and Series O units since June 2006.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2016

Investment Mix

	% of Net Asset Value
Financials	39.0
Industrials	13.7
Energy	13.2
Consumer Discretionary	12.1
Materials	8.6
Consumer Staples	6.4
Information Technology	5.7
Telecommunication Services	2.6
Cash/Other	(1.3)

Top 25 Holdings

	% of Net Asset Value
Toronto-Dominion Bank	7.7
Bank of Nova Scotia	5.6
Suncor Energy Inc.	5.3
Canadian Imperial Bank of Commerce	5.2
Royal Bank of Canada	4.9
Canadian National Railway Co.	4.4
Bank of Montreal	4.4
Canadian Natural Resources Ltd.	4.2
Alimentation Couche-Tard Inc.	2.9
Manulife Financial Corporation	2.5
Gildan Activewear Inc., Class A	2.5
Canadian Pacific Railway Ltd.	2.4
Agrium Inc.	2.4
Open Text Corp.	2.4
Magna International Inc., Class A	2.3
National Bank of Canada	2.1
Teck Resources Ltd., Class B	2.1
Sun Life Financial Inc.	2.1
Quebecor Inc., Class B	2.0
Canadian Tire Corp. Ltd., Class A	2.0
CGI Group Inc., Class A	2.0
Saputo Group Inc.	1.9
Home Capital Group Inc.	1.8
SNC-Lavalin Group Inc.	1.7
Thomson Corp.	1.6
Top 25 Holdings	78.4

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.

If you have questions regarding Phillips, Hager & North Funds, you can contact us using the following options:

By Phone

Investors: **1-800-661-6141**
Dealers: **1-800-662-0652**

On the Internet

Visit our website at: **www.rbcgam.com/funds**
Email us at: **info@phn.com**

By Mail

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M5W 1P9



**Global Asset
Management**